

GRANIZ MONDAL INC.

FILING STATEMENT FOR A REVERSE TAKE-OVER
INVOLVING THE ACQUISITION BY GRANIZ MONDAL INC.
OF GROUP NANOXPLORE INC.

Dated as of August 14, 2017

All information contained in this Filing Statement with respect to Group NanoXplore Inc. ("**NanoXplore**") and the future plans for the Resulting Issuer (as defined herein) was supplied by NanoXplore for inclusion herein.

*Neither the TSX Venture Exchange Inc. (the "**Exchange**") nor any other securities regulatory authority has in any way passed upon the merits of the Reverse Takeover described in this filing statement.*

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Filing Statement contains “forward-looking information” for purposes of applicable securities laws (“**forward-looking statements**”). Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based on the current beliefs, expectations or assumptions of NanoXplore and Graniz regarding the future of the Companies’ business, future plans and strategies, operational results and other future conditions. Forward-looking statements can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “estimates”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or states that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved, although not all forward-looking statements contain these identifying words. Forward-looking statements include all matters that are not historical facts and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Graniz, NanoXplore or the Resulting Issuer to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

Forward-looking statements appear in a number of places throughout this Filing Statement. Examples of such statements include: (i) the intention to complete, and expected closing date of, the Transaction, (ii) the description of the Resulting Issuer that assumes completion of the Transaction; and (iii) in respect of the Resulting Issuer and NanoXplore, statements pertaining to NanoXplore’s proposed operations and method for funding thereof, expectations regarding the ability to raise capital and to be able to obtain and maintain all applicable licenses and permits for NanoXplore’s operations, treatment under governmental regulatory regimes and tax laws, capital expenditure programs and the timing and method of financing thereof and future development plans and status of assets, future growth and performance.

Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this Filing Statement. Such forward-looking statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to: the ability of Graniz and NanoXplore to complete the Transaction, satisfy conditions under the Amalgamation Agreement, satisfy the requirements of the Exchange such that it will issue the Final Exchange Bulletin, obtain necessary financing, successfully integrate Graniz and NanoXplore and manage risks; the economy generally; and current and future stock prices, results of operations, availability of permits and licenses, market conditions, the regulatory and foreign environment, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, fluctuations in foreign currency exchange rates, business prospects and opportunities, transportation delays, accidents, labour disputes and other risks of the medical cannabis industry, political developments, arbitrary changes in law, delays in obtaining governmental approvals and anticipated and unanticipated costs. The factors identified above are not intended to represent a complete list of the factors that could affect Graniz, the Resulting Issuer or NanoXplore. Additional risk factors are noted under the heading “*Part III - Information Concerning the Resulting Issuer - Risk Factors*”.

Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievement may vary materially from those expressed or implied by the forward-looking statements contained in this Filing Statement. These risk factors should be carefully considered and readers are cautioned not to place undue reliance on forward-looking statements, which speaks only as of the date of this Filing Statement. All subsequent forward-looking statements attributable to Graniz, the Resulting Issuer or NanoXplore herein are expressly qualified in their entirety by the cautionary statements contained in

or referred to herein. Graniz, the Resulting Issuer and NanoXplore do not undertake any obligation to release publicly any revisions to the forward-looking statements to reflect events or circumstances that occur after the date of this Filing Statement or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

NOTICE TO INVESTORS

Except where indicated otherwise, the information contained herein is provided as of July 31, 2017.

REPORTING CURRENCY

In this Filing Statement, all references to “\$” or “dollars” are to Canadian currency unless otherwise specified.

MARKET DATA

Unless otherwise indicated, market data and industry forecasts contained in this Filing Statement have been obtained from publicly available sources (including industry publications, surveys and forecasts), and the good faith estimates of management of NanoXplore and Graniz, respectively (“**Management**”). Unless otherwise indicated, Management estimates are derived from publicly available information released by independent industry analysts and third-party sources, as well as data from their internal research, and are based on assumptions made by Management based on such data and its knowledge of the industry and markets, which Management believes to be reasonable. The internal research of Management has not been independently verified by any independent source. While Management believes the market position, market opportunity and market share information included in this Filing Statement is generally reliable, such information is inherently imprecise. In addition, projections, assumptions and estimates of the future performance of NanoXplore, Graniz and the Resulting Issuer and their respective future performance is necessarily subject to a high degree of uncertainty and risk due to a variety of factors. See “*Cautionary Note Regarding Forward-Looking Statements*” and “*Part III: Information Concerning the Resulting Issuer - Risk Factors*”.

IFRS MEASURES

The financial statements and pro forma financial statements included in this Filing Statement have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board.

NON-IFRS FINANCIAL MEASURES

In order to supplement their respective financial statements, the Companies may use select non-IFRS measures. The Companies have not included non-IFRS measures in this Filing Statement. Non-IFRS measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to any similar measures presented by other companies.

GLOSSARY OF DEFINED TERMS

In this Filing Statement, the following capitalized words and terms shall have the meanings indicated. Terms and abbreviations used in the financial statements of Graniz, NanoXplore and the Resulting Issuer in the schedules to this Filing Statement are defined separately and the terms and abbreviations defined below are not used therein, except where otherwise indicated:

“**Affiliate**” means a company is an “Affiliate” of another company if: (a) one of them is the subsidiary of the other, or (b) each of them is controlled by the same Person, all as determined in accordance with the regulations of the Exchange.

“**Agent**” means Paradigm Capital Inc., acting as agent in connection with the Private Placement.

“**Amalco**” means the corporation resulting from the Amalgamation, which shall be a wholly-owned subsidiary of Graniz.

“**Amalco Shares**” means common shares of Amalco as constituted immediately following the Amalgamation.

“**Amalgamation**” means the amalgamation of Newco, NanoXplore and Graniz pursuant to Sections 276 and following of the QBCA.

“**Amalgamation Agreement**” means the Amalgamation Agreement dated as of to be entered into on or about August 11, 2017 between Newco, NanoXplore and Graniz governing the terms and conditions of the Transaction.

“**Associate**” when used to indicate a relationship with a Person, “Associate” means (i) any Person who beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of a Person; (ii) any partner of the Person; (iii) any trust or estate in which the Person has a substantial beneficial interest or in respect of which a Person serves as trustee or in a similar capacity; or (iv) who is an individual and is (A) that Person's spouse or child, or (B) any relative of the Person or of his spouse who has the same residence as that Person, in each case determined in accordance with, and subject to, the regulations of the Exchange.

“**Broker Warrants**” means the broker warrants to be granted to the Agent in connection with the Private Placement, each exercisable to purchase Broker Warrant Share at a price of \$0.45 per Broker Warrant Share at any time in whole or from time to time in part for a period of 24 months following the closing of the Transaction.

“**Broker Warrant Share**” means the Resulting Issuer Share acquired upon exercise of a Broker Warrant.

“**Business Day**” means any day excepting a Saturday or Sunday or a day recognized as a holiday in Montréal Québec, or a day on which banks in Montréal are not open for business.

“**CBCA**” means the Canada *Business Corporations Act* as amended from time to time.

“**Change of Control**” shall be deemed to have taken place where after giving effect to the contemplated transaction and as a result of such transaction: (a) any one person holds a sufficient number of the shares of the Resulting Issuer to affect materially the control of the Resulting Issuer, or (b) any combination of persons, acting in concert by virtue of an agreement, arrangement, commitment or understanding, hold in total a sufficient number of the shares of the Resulting Issuer to

affect materially the control of the Resulting Issuer, where such Person or combination of Persons did not previously hold a sufficient number of shares to affect materially the control of the Resulting Issuer.

“**Companies**” means collectively, NanoXplore, Graniz and Newco.

“**Depository**” means TSX Trust Company, which will act as the depository for the exchange of the NanoXplore Shares for the Graniz Shares in connection with the Amalgamation.

“**Director**” means a director appointed pursuant to Section 110 of the QBCA.

“**Effective Date**” means the effective date of the Amalgamation.

“**Escrowed Funds**” means the portion of the gross proceeds of the Private Placement deposited into escrow in accordance with the terms of the Subscription Receipt Agreement.

“**Exchange**” means the TSX Venture Exchange Inc.

“**Exchange Ratio**” means one Graniz Share for each NanoXplore Share held by a NanoXplore Shareholder.

“**Filing Statement**” means this filing statement, together with all schedules attached hereto and including the summary hereof.

“**Final Exchange Bulletin**” means the bulletin which is issued by the Exchange following the Effective Date and the submission of all documentation required by the Exchange in connection therewith that evidences the final acceptance by the Exchange of the Transaction.

“**Governmental Authority**” means all applicable federal, provincial, state, municipal and similar agencies, boards, tribunals, ministries and departments, both Canadian and foreign.

“**Graniz**” means Graniz Mondal Inc., a corporation existing under the CBCA.

“**Graniz Board**” means the board of directors of Graniz.

“**Graniz Material Adverse Change**” means any change materially adverse to the consolidated financial condition, operations, assets, liabilities, or business of Graniz, other than a change: (i) which arises out of or in connection with a matter that has been disclosed in writing to NanoXplore or its representatives by Graniz or its representatives prior to the date of the Amalgamation Agreement, provided however that any such written disclosure may be a Graniz Material Adverse Change to the extent that the matter, costs, change or results are more adverse to Graniz than as disclosed; (ii) resulting from conditions affecting the mineral resource industry as a whole, including changes in applicable laws; (iii) resulting from general economic, financial, currency exchange, securities or commodity market conditions; or (iv) resulting from the announcement or consummation of any of the Amalgamation, Private Placement, NanoXplore Private Placement or any related matters contemplated by the Amalgamation Agreement.

“**Graniz Named Executive Officers**” means the individuals who were, during the fiscal year ended March 31, 2017, the President, Chief Executive Officer and Director of Finance of Graniz.

“**Graniz Shareholders**” means, at the relevant time, holders of Graniz Shares.

“Graniz Shares” means the common shares in the capital of Graniz as constituted on the date of this Filing Statement.

“IFRS” means International Financial Reporting Standards as issued by the International Accounting Standards Board.

“Insider” when used in relation to any of the Companies, means (i) a director or senior officer of the company; (ii) a director or senior officer of the company that is an insider or subsidiary of the company; (iii) a Person that beneficially owns or controls, directly or indirectly, voting shares carrying more than 10% of the voting rights attached to all outstanding voting shares of the company; or (iv) the company itself if it holds any of its own securities, in each case determined in accordance with, and subject to, the regulations of the Exchange.

“Liquidity Event” means either:

- (a) the completion of an initial public offering of NanoXplore Shares by NanoXplore which results in the NanoXplore Shares being listed and posted for trading or quoted on a Qualified Exchange; or
- (b) the closing of a merger, amalgamation, plan of arrangement, business combination, acquisition or other transaction or series of related transactions resulting in (i) the combination of NanoXplore with another entity whereby at least 50% of the resulting entity’s shares are controlled by arm’s length parties or (ii) the holders of NanoXplore Shares receiving consideration in the form of securities listed on a Qualified Exchange.

“Mason Graphite” means Mason Graphite Inc.

“Mousseau Option” means Graniz’s option to acquire a 75% interest in the Mousseau West Property.

“Mousseau West Property” means the graphite property which Graniz has the option to earn a 75% undivided interest of that is comprised of 12 mining claims covering a total of approximately 12 kilometers north of the town of Ste-Véronique (near Mont-Laurier), Québec.

“Named Executive Officers” has the meaning given to such term in NI 51-102.

“NanoXplore Board” means the board of directors of NanoXplore.

“NanoXplore Material Adverse Change” means any change in the financial condition, operations, assets, liabilities, or business of NanoXplore which is materially adverse to the consolidated business of NanoXplore, other than a change: (i) which arises out of or in connection with a matter that has been disclosed in writing to Graniz or its representatives by NanoXplore or its representatives prior to the date of the Amalgamation Agreement; (ii) resulting from conditions affecting the graphene industry as a whole, including any changes in applicable laws; (iii) resulting from general economic, financial, currency exchange, securities or commodity market conditions; or (iv) resulting from the announcement of consummation of any of the Amalgamation, Private Placement or any related matters contemplated by the Amalgamation Agreement.

“NanoXplore NEOs” means the Named Executive Officers of NanoXplore.

“NanoXplore Shareholders” means, at the relevant time, the holders of NanoXplore Shares.

“**NanoXplore Shareholders Agreement**” means the unanimous shareholders agreement between NanoXplore and its shareholders dated December 23, 2014, as may be amended from time to time.

“**NanoXplore Shares**” means the common shares of NanoXplore, as constituted immediately prior to the Effective Date.

“**Newco**” means 9363-0770 Québec Inc., a corporation existing under the QBCA.

“**Newco Shares**” means common shares of Newco as constituted as of the date of this Filing Statement.

“**NI-51-102**” means National Instrument 51-102 - Continuous Disclosure Obligations (in Québec, *Regulation 51-102 respecting Continuous Disclosure Obligations*)

“**Non-Arm's Length Party**” means a non-arm's length party to the Amalgamation as determined in accordance with the rules and regulations of the Exchange, including in relation to a company, a promoter, officer, director, other Insider or control person of that company (including an issuer) and any Associates or Affiliates of any of such persons.

“**Option Plan**” means the stock options plan of NanoXplore.

“**Person**” means an individual, or a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual.

“**Policy 5.2**” means Policy 5.2 - *Change of Business and Reverse Takeovers* of the Exchange.

“**Preliminary Employment/Service Agreements**” means the preliminary agreements setting out the principal commercial terms governing the employment or provision of services, as applicable, with certain of the Resulting Issuer NEOs and certain other members of the proposed management team of the Resulting Issuer, the execution of which are conditions to completion of the Transaction pursuant to the Amalgamation Agreement.

“**Private Placement**” means the brokered private placement of a minimum of 17,777,778 Subscription Receipts and a maximum of 33,333,333 Subscription Receipts of NanoXplore at a price of \$0.45 per Subscription Receipt for gross proceeds ranging from \$8,000,000 to \$15,000,000, to be completed in connection with the Transaction.

“**QBCA**” means the *Business Corporations Act* (Québec), as amended from time to time.

“**Qualified Exchange**” means any of The Toronto Stock Exchange, the TSX Venture Exchange, the New York Stock Exchange, the American Stock Exchange, the Nasdaq National Market, the London Stock Exchange (main or AIM), the Canadian Securities Exchange or any successor exchange or market thereto.

“**Regulatory Approval**” means any approval, consent, waiver, permit or exemption from any Government Authority having jurisdiction or authority over any party or the subsidiary of any party which is required or advisable to be obtained in order to permit the Amalgamation to be effected including, for greater certainty, the approval by the Exchange, and “Regulatory Approvals” means all such approvals, consents, waivers, permits, orders or exemptions.

“**Release Conditions**” means the occurrence of all of the following events:

- a) the execution of the Amalgamation Agreement;
- b) the common shares of the Resulting Issuer into which the Underlying Shares and Underlying Warrant Shares will be exchanged pursuant to the Transaction being conditionally approved for listing on the TSXV
- c) the receipt of all regulatory, shareholder and third-party approvals, if any, required in connection with the Transaction;
- d) the receipt by the Agent of an opinion of counsel of NanoXplore that upon the conversion of the Subscription Receipts and completion of the Transaction, the Resulting Issuer shares issued in exchange for the NanoXplore Shares and Warrants (and upon exercise of the Warrants, the common shares underlying the Warrants) will be freely tradeable and not subject to any statutory hold period; and
- e) the delivery by NanoXplore and the Agent of a release notice to the Subscription Receipt Agent in accordance with the terms of the Subscription Receipt Agreement.

“Reorganization” means the restructuring split of NanoXplore’s securities on a 1 for 40.0667 basis to occur prior to the Amalgamation and prior to the conversion of the Subscription Receipts.

“Resulting Issuer” means Graniz as it exists upon completion of the Transaction to be known as “NanoXplore Inc.”, or such similar name as may be accepted by the relevant regulatory authorities and approved by the board of directors and the shareholders of Graniz.

“Resulting Issuer NEOs” means the Named Executive Officers of the Resulting Issuer.

“Resulting Issuer Share” means the common shares of the Resulting Issuer.

“Stock Option Plan” means the stock options plan of Graniz approved by Graniz Shareholders on April 3rd 2008.

“Subscription Receipts” means the subscription receipts to be issued by NanoXplore under the Private Placement at a price of \$0.45 per Subscription Receipt. Each Subscription Receipt will be automatically convertible, immediately prior to the Amalgamation (after the completion of the Reorganization), in accordance with the terms of the Subscription Receipt Agreement, into a unit, each unit being comprised of one NanoXplore Share (post-Reorganization) and one-half of one Warrant (post-Reorganization).

“Subscription Receipt Agent” means TSX Trust Company in its capacity as subscription receipt agent appointed pursuant to the terms of the Subscription Receipt Agreement.

“Subscription Receipt Agreement” means the subscription receipt agreement entered into between the Subscription Receipt Agent, the Agent and NanoXplore governing the terms of the Subscription Receipts.

“Release Deadline” “Release Deadline” means 5:00 p.m. Montréal time on October 27, 2017.

“Transaction” means the Amalgamation and related matters as contemplated by the Amalgamation Agreement.

“United States” or **“U.S.”** means the United States of America, its territories and possessions, any State of the United States and the District of Columbia.

“Warrants” means the purchase warrants for NanoXplore Shares comprising part of the units to be issued upon conversion of the Subscription Receipts, each Warrant entitling its holder to subscribe one NanoXplore Share at a price of \$0.70 (post-Reorganization), for a period of 24 months from the closing date of the Private Placement.

SUMMARY OF FILING STATEMENT

The following is a summary of information relating to Graniz, NanoXplore and the Resulting Issuer (assuming completion of the Transaction) and should be read together with the more detailed information and financial data and statements contained elsewhere in the Filing Statement.

Capitalized terms not otherwise defined in this Summary are defined in the Glossary of Defined Terms or elsewhere in the Filing Statement. This Summary is qualified in its entirety by the more detailed information appearing or referred to elsewhere herein.

THE TRANSACTION

Summary

The Transaction constitutes an arm's length reverse takeover of Graniz within the meaning of Policy 5.2 and is subject to a number of conditions precedent, including the completion of the Private Placement described hereinafter and the receipt of all requisite regulatory, corporate and shareholder approvals, including that of the Exchange.

The Transaction is expected to be effected by way of an amalgamation agreement under section 277 of the *Business Corporations Act* (Québec) (the "Amalgamation").

The aggregate consideration to be paid by Graniz for the acquisition of NanoXplore will be a total of 56,905,233 common shares at a deemed price of \$0.45 per share including 56,210,252 shares to NanoXplore shareholders and 694,981 shares to NanoXplore option holders;

Prior to the Transaction, NanoXplore will complete a reorganization pursuant to which its share capital will be converted on a 1 for 40.0667 basis (the "Reorganization"). Pursuant to the Transaction, Graniz shall proceed to a consolidation of its issued and outstanding common shares on the basis of one (1) post-consolidation common share for up to every fifteen (15) pre-consolidation common shares in order to reduce its outstanding shares to 1,412,939. Following the consolidation, Graniz shall cancel all options currently issued under its stock option plan and issue new options to directors and officers Graniz exercisable at a price of \$0.45 per Graniz Share (post-consolidation) in order to bring the price in line with the expected market pricing. Of these new options, 53,335 will be considered reissued as they will be issued to the same directors with an exercise price lower than that of the original options.

Graniz shall also register a new wholly-owned subsidiary hereinafter referred to as Newco. Thereafter, NanoXplore and Newco will amalgamate to form Amalco, which shall continue as a wholly-owned subsidiary of Graniz. Each issued and outstanding Newco Share shall be converted into one fully paid Amalco Share and all of the issued and outstanding common shares in the share capital of NanoXplore shall be converted into Graniz Shares based on the Exchange Ratio, resulting in the issuance of up to approximately 56,210,252 common shares in the share capital of Graniz (after consolidation), at a deemed value of \$0.45 per common share for a total consideration of \$25,294,594.

Furthermore, outstanding debts of Graniz in an amount of up to \$365,000 at the Transaction date shall be reimbursed. An amount of \$340,000 shall be converted into 755,556 common shares in the share capital of Graniz, at a deemed value of \$0.45 per common share and \$25,000 reimbursed in cash. The debts are composed of cash advances and accrued interest of cash advances made to Graniz by Berthe Lambert, Richard-Marc Lacasse and Jean-Paul Lacasse.

Advisory fees shall be payable to certain advisors of Graniz and NanoXplore through the issuance of 115,556 Graniz Shares at a deemed price of \$0.45 per Graniz Shares and the issuance of 466,667 non-transferable options of Graniz at an exercise price of \$0.45 per Graniz Shares. Options will expire 36 months after the closing date of the Transaction. The advisors are dealing at arm's length with Graniz, NanoXplore and the Resulting Issuer.

Pursuant to the Transaction, the in-the-money existing options of NanoXplore will be converted into 694,981 Graniz Shares, at a deemed value of \$0.45 per Graniz Shares and the out-the-money existing options of NanoXplore will be converted in 520,866 options of Graniz at an exercise price of \$0.45 per Graniz Shares with expiry dates between January 2, 2022 and May 2, 2022.

Furthermore, pursuant to the Transaction, Graniz shall return its option (the "**Mousseau Option**") to acquire a 75% interest in the Mousseau West Property to the property owners, in consideration of which the outstanding debt and accrued interest relating to the Mousseau Option (approximately \$210,000) will be deemed forgiven without any other consideration to be paid. The owners of the Mousseau West property are Berthe Lambert, Richard-Marc Lacasse and Donald Théberge. Berthe Lambert and Richard-Marc Lacasse, both directors of Graniz, are non-arm's length parties to Graniz and arm's length parties to NanoXplore and the Resulting Issuer. Donald Théberge is an arm's length party to Graniz, NanoXplore and the Resulting Issuer.

Graniz Shares are listed on the Exchange - NEX under the symbol "GRA.H". Pursuant to the Transaction announcement on June 6, 2017, the stock of Graniz has been halted and the last trade was made at \$0.015.

Concurrently with the completion of the Transaction, NanoXplore will complete a brokered private placement for a minimum of \$8,000,000 and a maximum of \$15,000,000 (the "**Private Placement**"), subject to obtaining all requisite regulatory approval, including that of the Exchange.

Pursuant to the Private Placement, NanoXplore will issue a minimum of 17,777,778 subscription receipts and a maximum of 33,333,333 subscription receipts, at a price of \$0.45 per subscription receipt (the "**Subscription Receipts**") for gross proceeds ranging from \$8,000,000 to \$15,000,000. At closing of the Transaction, each Subscription Receipt will automatically be converted into one NanoXplore Share and one-half of one Warrant, which will immediately be exchanged, at no cost, for one Resulting Issuer Share and one-half of one common share purchase warrant of the Resulting Issuer (a "**Resulting Issuer Warrant**"). Each Resulting Issuer Warrant will entitle the holder thereof to acquire one additional Resulting Issuer Share at a price of \$0.70 for a period of 24 months from the closing date of the Private Placement. The Resulting Issuer will use the proceeds of the Private Placement to fund its working capital and its commercial and engineering activities.

NanoXplore has executed an engagement letter dated May 24, 2017 (the "**Engagement Letter**") with Paradigm Capital Inc. (the "**Agent**"), as agent in connection with the Private Placement. Under the terms of the Engagement Letter, the Agent has been appointed to act as agent in connection with the concurrent Private Placement on a "best efforts" basis.

The Agent will receive an aggregate cash fee equal to 7% of the gross proceeds of the Private Placement and a number of broker warrants (the "**Broker Warrants**") equal to 7% of the number of Subscription Receipts issued pursuant to the Private Placement, except in respect of sales to certain purchasers identified by NanoXplore to a maximum aggregate subscription amount of \$1 million (the "**President's List Subscribers**") for which NanoXplore agreed to pay a cash fee equal to 3.5% of the gross proceeds in respect of Subscription Receipts subscribed for by President's List Subscribers and to issue that number of Broker Warrants equal to 3.5% of the Subscription Receipts issued to

President’s List Subscribers. Each Broker Warrant will be exercisable to purchase one common share of NanoXplore (a “**Broker Warrant Share**”) at a price of \$0.45 per Broker Warrant Share at any time in whole or from time to time in part for a period of 24 months following the closing of the Transaction. The Broker Warrants shall be exercisable following the satisfaction of the Release Conditions. Upon completion of the Transaction, each Broker Warrant will be exchanged for a broker warrant of the Resulting Issuer.

The conversion of the Subscription Receipts issued under the Private Placement is subject to, and will occur concurrently with, the completion of the Transaction.

Effect of the Amalgamation

Ownership and Structure of the Resulting Issuer

The effect of the Amalgamation is that: (i) NanoXplore and Newco will amalgamate to form Amalco which will continue as a wholly-owned subsidiary of Graniz, as a result of which all of the property and assets of NanoXplore will become indirectly held by Graniz; and (ii) existing shareholders of NanoXplore will continue to hold an indirect interest in the property and assets of Amalco through the Resulting Issuer Shares which will be issued to them as part of the Transaction. The Amalgamation does not change any of the assets, properties, rights, liabilities, obligations, business or operations of any of Graniz, Newco or NanoXplore on a consolidated basis. A corporate organizational chart reflecting the proposed structure of the Resulting Issuer after giving effect to the above-noted matters and before proposed private placement is set forth below:

	<u>Number of shares</u>
Opening balance - Graniz (post-consolidation)	1,412,939
Shares issued to NanoXplore shareholders as part of the Reverse Takeover	56,210,252
Shares issued as settlement of the Graniz outstanding debts	755,556
Shares issued to advisors	115,556
Shares issued for the conversion of in-the-money existing NanoXplore options	<u>694,981</u>
	59,189,284

Pursuant to the Transaction, Graniz and NanoXplore will combine their business operations. Set forth below is a summary of the business currently carried on by each of Graniz and NanoXplore and proposed to be carried on by the Resulting Issuer following the Transaction.

Graniz

Graniz was incorporated on May 5, 1995 under the *Business Corporations Act* (Alberta). On August 17, 2012, Graniz changed its corporate jurisdiction for the CBCA. Since its inception, Graniz has been engaged in mineral exploration activities. See “*Part I: Information Concerning Graniz - General Development of the Business*”. The Graniz Shares are listed on the NEX under the symbol “GRA.H”. The closing price of the Graniz Shares on the NEX on June 8, 2017 was \$0.015. Trading in the Graniz Shares was halted at the request of the Exchange on June 8, 2017 pending the announcement of the Transaction. The registered and head office of Graniz is located at 2840 Marie-Laurence St., Lévis, Québec G6W 8J9.

Graniz was founded as an early stage mineral exploration company focused on identifying deposits in Canada. Graniz currently holds an option to acquire a 75% interest in the property known as the Mousseau West property (the “**Mousseau West Property**”) located in the Mont-Laurier area of Québec as well as a 100% interest in claims called the Troilus-Sud property located at about 150 kilometres north of Chibougamau (claims numbers: CDC 106005 @ CDC 0126013 and CDC 1119750 @ 1119751). Graniz has never held an interest in any producing mineral resource property. It is a condition of the completion of the Transaction that Graniz returns the Mousseau Option to the owners of the Mousseau West Property and confirms the release of the debt and accrued interest owed by Graniz in connection with the Mousseau Option. See “*Part I: Information Concerning Graniz*”.

NanoXplore

NanoXplore was incorporated under the QBCA on December 13, 2011. Since its inception, NanoXplore has been engaged in manufacturing and the development of nanomaterials. See “Part II: Information Concerning NanoXplore - The Transaction”. No securities of NanoXplore are currently publicly traded on any stock exchange, and NanoXplore is not a reporting issuer in any jurisdiction. NanoXplore registered and head office is located at 25 Montpellier Blvd, Montréal, Québec, H4N 2G3.

NanoXplore is a graphene company, a manufacturer and supplier of high volume graphene powder for use in industrial markets. NanoXplore is also a designer and producer of blow and injection molded plastic parts for a wide array of customers.

NanoXplore has developed a proprietary scalable manufacturing process, a graphene production platform, to produce and supply high quality, engineered graphene materials which can be used by third parties in a wide variety of industrial and commercial applications. NanoXplore also provides standard and custom thermoplastic products to many customers in food and health supplement packaging, recreational products, marine and aquaculture products and other industrial sectors.

Established in 2011, NanoXplore has its headquarters and graphene production facility in Montréal, Québec and its plastic production facility in Delson, Québec in Montréal’s South Shore region. NanoXplore has three material subsidiaries: 9334-7474 Québec Inc. (100% owned) which is a holding company that own 100% of Rada Industries Ltd. (located at Delson, Québec), NanoXplore GmbH (100% owned and located in Mainz, Germany) and Two Carbon Inc. (a 50:50 joint venture with Markus Hutnak, located in Santa Cruz, California, near Silicon Valley). NanoXplore GmbH is a business development office from which NanoXplore supports European innovators in the plastic, rubber, automotive, and many other industries. Two Carbon Inc. is focused on development of graphene based solutions for the sports and outer wear industries.

NanoXplore’s key strategy has been to develop, optimise and scale up its proprietary graphene production platform in order to provide industrial volumes of high quality graphene powder at a low enough price point to dramatically accelerate market adoption. NanoXplore believes that it has now achieved its goal having:

- rigorously scaled up and optimised the production process from the lab to 25 tonnes/year capacity, in a facility using standard production machines;
- obtained U.S. patent protection for its proprietary production platform, with another pending; and

- demonstrated the required quality and industrial suitability of its graphene by routinely compounding the graphene with thermoplastics, and manufacturing commercial plastic products in a typical plastic molding facility.

NanoXplore has established what it believes to be the largest Canadian graphene powder production plant in Montréal, designed with a modular structure and with a production current capacity of 25 tonnes/year and up to 70 tonnes/year with additional machinery in the same location. Partnered with Canadian mining company Mason Graphite Inc. (“**Mason Graphite**”), NanoXplore has access to a stable, long term, large flake source of raw material from Québec. NanoXplore’s facility also incorporates a unique graphene plastic compounding facility with a capacity of 400 tonnes/year of graphene enhanced plastic masterbatch pellets, as well as full laboratory with facilities to characterise graphene material and graphene-enhanced plastics, and with the ability to develop new polymer-graphene formulations. NanoXplore’s research and product development team are co-located with the graphene production, and are supported by a fully equipped material characterisation and test laboratory. This team’s core expertise is development and formulation of carbon additives, such as graphite and graphene, to improve the performance of industrial materials. See “*Part II: Information Concerning NanoXplore - The Transaction*”.

RESULTING ISSUER SELECTED FINANCIAL INFORMATION

The following table sets out selected unaudited pro forma consolidated financial information for the Resulting Issuer, assuming completion of the Amalgamation, as of March 31, 2017 and should be considered in conjunction with the more complete information contained in the unaudited pro forma consolidated financial statements of the Resulting Issuer and the notes thereto attached as Schedule “C” to this Filing Statement.

Balance Sheet Data:	As of March 31, 2017 ⁽¹⁾
Current Assets	\$8,937,973
Total Assets	\$12,355,773
Current Liabilities	\$1,002,537
Total liabilities	\$3,404,434
Share capital and reserves	\$14,308,248
Deficit	\$5,356,909

(1) Amounts presented reflect pro forma adjustments assuming the minimum private placement’s offering as further detailed in Note 4 to the unaudited pro forma consolidated financial statements of the Resulting Issuer attached as Schedule “C” to this Filing Statement, to which reference should be made for a complete summary of all assumptions underlying these amounts.

NANOXPLORE SELECTED FINANCIAL INFORMATION

The following table sets out selected consolidated financial information for NanoXplore for the periods indicated and should be considered in conjunction with the more complete information contained in the consolidated financial statements of NanoXplore attached as Schedule “B” to this Filing Statement.

Consolidated Statement of loss and comprehensive loss:	Year ended June 30, 2015	Year ended June 30, 2016	Nine-month period ended March 31, 2017
Total Revenues	\$214,805	\$776,850	\$2,550,895
Total Expenses	\$1,041,344	\$2,264,106	\$4,142,552
Net loss and comprehensive loss	\$826,539	\$1,487,256	\$1,591,657
Balance Sheet Data	As at June 30, 2015	As at June 30, 2016	As at March 31, 2017
Total Assets	\$2,604,093	\$5,138,434	\$5,192,916
Total Liabilities	\$214,436	\$4,127,968	\$3,404,434
Shareholders' Equity	\$2,389,657	\$1,010,466	\$1,788,482

GRANIZ SELECTED FINANCIAL INFORMATION

The following table sets out selected financial information for Graniz for the periods indicated and should be considered in conjunction with the more complete information contained in the financial statements of Graniz attached as Schedule "A" to this Filing Statement.

Statement of comprehensive loss :	Year Ended March 31, 2015 ⁽¹⁾	Year Ended March 31, 2016 ⁽¹⁾	Year Ended March 31, 2017 ⁽¹⁾
Total Income	\$nil	\$nil	\$nil
Total Expenses	\$83,113	\$59,540	\$68,037
Net loss Comprehensive loss	\$83,113	\$59,540	\$68,037
Balance Sheet Data	As at March 31, 2015 ⁽¹⁾	As at March 31, 2016 ⁽¹⁾	As at March 31, 2017 ⁽¹⁾
Total Assets	\$680,540	\$668,414	\$671,634
Total Liabilities	\$426,934	\$474,438	\$541,362
Shareholders' Equity	\$253,516	\$193,976	\$130,272

(1) Audited

AVAILABLE FUNDS AND PRINCIPAL PURPOSES

Following the Transaction, the Resulting Issuer expects to have funds available as set forth below, based upon the current financial position of NanoXplore:

Source	Minimum Private Placement	Maximum Private Placement
Estimated working capital of NanoXplore and Graniz as of July 31, 2017	\$300,000	\$300,000
Gross proceeds from the Private Placement	\$8,000,000	\$15,000,000
Net proceeds from the Private Placement	\$7,303,000	\$13,805,000
Less expenses of the Transaction	\$127,500	\$127,500
Total available funds	\$7,475,500	\$13,977,500

The primary purposes of the Transaction are to obtain additional equity capital, create a public market for the NanoXplore Shares and facilitate future access to financial opportunities for the Resulting Issuer. The Resulting Issuer expects to use the total funds available set forth above for the purposes described below:

Use of Funds	Minimum Private Placement	Maximum Private Placement
CAPEX ⁽¹⁾	\$670,000	\$670,000
Working capital <ul style="list-style-type: none"> • General and administration expenses • Research and development expenses • Selling and marketing expenses • Other expenses 	\$1,821,000 \$558,000 \$398,000 \$1,528,500	\$1,823,000 \$558,000 \$398,000 \$1,528,500
Engineering and Design of large scale graphene production facility	\$1,000,000	\$1,000,000
Acquisition(s) ⁽²⁾	\$1,500,000	\$8,000,000
Total	\$7,475,500	\$13,977,500

(1) CAPEX would mainly consist of production equipment.

(2) As at the date of the Filing Statement, no target has been identified for an acquisition.

See “Part III - Information Concerning the Resulting Issuer - Available Funds”. Based on current projections, the Resulting Issuer’s working capital available for funding ongoing operations and the execution of its growth strategy is expected to meet its expenses for a minimum period of 12 months commencing immediately after the completion of the Transaction.

Notwithstanding the proposed uses of available funds discussed above, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary. It is difficult, at this time, to definitively project the total funds necessary to successfully execute all elements of the Resulting Issuer’s business strategy. For these reasons, management of Graniz and NanoXplore consider it to be in the best interests of the Resulting Issuer and its shareholders to afford management a reasonable degree of flexibility as to how the funds are employed among the uses identified above, or for other purposes, as the need arises. As such, the above uses of available funds should be considered estimates. See “Cautionary Note regarding Forward- Looking Statements”.

INTEREST OF INSIDERS

The following table sets forth the number and percentage of Resulting Issuer Shares, assuming the minimum private placement offering, which are expected to be beneficially owned, controlled or directed by Insiders of Graniz and/or NanoXplore immediately following the Transaction, as well as the securities of each of NanoXplore and Graniz beneficially owned, controlled or directed by such persons before the Transaction. Insiders of Graniz and NanoXplore that are not listed in the table below are not anticipated to hold any Resulting Issuer Shares upon completion of the Transaction.

Name and proposed position with the Resulting Issuer	Number and Percentage of NanoXplore Shares held before given effect to the Transaction	Number and Percentage of Graniz Shares held before given effect to the Transaction	Number and percentage of Resulting Issuer Shares to be held following Transaction

Name and proposed position with the Resulting Issuer	Number and Percentage of NanoXplore Shares held before given effect to the Transaction	Number and Percentage of Graniz Shares held before given effect to the Transaction	Number and percentage of Resulting Issuer Shares to be held following Transaction
Soroush Nazarpour President & CEO	16,026,680 (28.5%)	Nil	16,063,258 (20.9%)
Paul Higgins COO	4,006,670 (7.1%)	Nil	4,043,248 (5.3%)
Luc Veilleux CFO	nil (0%)	Nil	91,445 (0.1%)
Benoît Gascon Chairman and director	nil (0%)	Nil	18,289 (0.02%)
Cameron Harris Director	1,022,101 (1.8%)	Nil	1,040,390 (1.4%)
Denis Labrecque Director	nil (0%)	Nil	18,289 (0.02%)
Mason Graphite ⁽¹⁾	18,248,899 (32.5%)	Nil	20,471,122 (26.6%)
Markus Hutnak ⁽²⁾	Nil	Nil	Nil
Francis Nedvidek ⁽³⁾	Nil	Nil	36,578 (0.04%)
Catherine Frigon	Nil	Nil	Nil

(1) Mason Graphite is a non-arm's length party to NanoXplore and the Resulting Issuer. Tyrone Docherty, François Laurin, Guy Chamard, Alastair Neill, Scott Moore, Benoît Gascon, Simon Marcotte, Luc Veilleux and Jean L'Heureux are Insiders of Mason Graphite.

(2) Markus Hutnak is President and CEO of Two Carbon Inc., a joint venture with NanoXplore.

(3) Francis Nedvidek is Managing Director of NanoXplore GmbH, a subsidiary of NanoXplore.

CONFLICTS OF INTERESTS

Some of the individuals proposed for appointment as directors or officers of the Resulting Issuer upon the completion of the Transaction are also directors and/or officers of other reporting and non-reporting issuers. As of the date of this Filing Statement and to the knowledge of the directors and officers of Graniz and NanoXplore, there are no existing conflicts of interest between the Resulting Issuer and any of the individuals proposed for appointment as directors or officers of the Resulting Issuer following the completion of the Transaction.

ARM'S LENGTH TRANSACTION

The Transaction is an arm's length transaction to each of Graniz and NanoXplore under the policies of the Exchange.

CONDITIONS OF THE AMALGAMATION

The Amalgamation is subject to the approval of the shareholders of each of NewCo and NanoXplore pursuant to the QBCA. Graniz will not seek shareholder approval of the Amalgamation or related matters as it is not required to do so under applicable corporate laws. The receipt of all applicable shareholder approvals is a condition to closing the Transaction.

Graniz will seek shareholder approval for related matters such as share consolidation, return of the Mousseau West Property, debt conversion and name change. The receipt of all applicable shareholder approvals is a condition to closing the Transaction. This Filing Statement is filed in connection with the requirements of Policy 5.2.

The obligations of the parties to complete the Transaction, as contemplated by the Amalgamation Agreement, are subject to the satisfaction, on or before the Effective Date, of a number of specified conditions, including:

- (a) the approval of the share consolidation, conversion of debt into shares, and name change by the requisite percentage of Graniz shareholders;
- (b) the approval of the disposition of the Mousseau Option by disinterested shareholder approval;
- (c) the approval of the Reorganization and the Amalgamation by the requisite percentage of NanoXplore Shareholders; and
- (d) the approval of the Exchange with respect to the Transaction.

The Amalgamation Agreement also provides that it may be terminated in certain circumstances by the Graniz Board or the NanoXplore Board before the Effective Date. See "*Part II: Information Concerning NanoXplore - The Transaction - Effective Date and Conditions*".

SPONSORSHIP AND AGENT RELATIONSHIP

NanoXplore has engaged with Paradigm Capital Inc. to act as agent in connection with the Private Placement and, based on Policy 5.2, is requesting a waiver from the sponsorship requirement. See "*Part IV - General Matters - Sponsorship*".

INTEREST OF EXPERTS AND OTHERS

Audit reports described or included in this Filing Statement were prepared by (i) Mallette LLP in respect of the financial statements of Graniz for the fiscal year ended March 31, 2017; (ii) by PricewaterhouseCoopers LLP in respect of the consolidated financial statements of NanoXplore for the fiscal year ended June 30, 2016. PricewaterhouseCoopers LLP and Mallette LLP have advised that it is independent with respect to NanoXplore and Graniz, respectively within the meaning of the *Code of ethics of chartered professional accountants* (Québec).

Moreover, none of the foregoing persons or any of their respective directors, partners or employees is, or expects to be, elected, appointed or employed as a director, officer or employee of the Resulting Issuer or its Associates or Affiliates.

APPROVAL OF THE EXCHANGE

The Exchange has conditionally accepted the Transaction subject to Graniz fulfilling all of the requirements of the Exchange. There can be no assurance that Graniz will be able to satisfy the requirements of the Exchange such that the Exchange will issue the Final Exchange Bulletin.

RISK FACTORS

AN INVESTMENT IN SECURITIES OF GRANIZ AND, FOLLOWING THE COMPLETION OF THE TRANSACTION, THE RESULTING ISSUER, IS HIGHLY SPECULATIVE, AND INVOLVES A HIGH DEGREE OF RISK AND SHOULD ONLY BE MADE BY INVESTORS WHO CAN AFFORD TO LOSE THEIR ENTIRE INVESTMENT.

An investment in Graniz and/or the Resulting Issuer involves a significant degree of risk, including the following risks listed here in summary fashion related to receiving regulatory approvals; potential changes in government regulation; the requirement to comply with environmental regulation; cash flow and liquidity; the ongoing need for financing; a volatile stock price; potential conflicts of interest; dependence on cash flows of subsidiaries, attracting and retaining key personnel and dependence on certain key executives; competition; transportation disruptions; fluctuation of interest and exchange rates; changes in global financial conditions generally; product liability; product recalls; potential operational risks and costs; risks inherent in a manufacturing business including, difficulty to forecast and vulnerability to rising input and energy costs, the substantial dilution to the voting power of the Graniz Shareholders and the potential substantial dilution to the price of the Graniz Shares. Graniz Shareholders should consider that Graniz may not realize the anticipated benefits of the Transaction. For a comprehensive discussion of the risk factors relating to the Resulting Issuer, see "*Part III: Information Concerning the Resulting Issuer - Risk Factors*".

PART I - INFORMATION CONCERNING GRANIZ

The following information is presented on a pre-Transaction basis and is reflective of the current business, financial and share capital position of Graniz. See "Part III: Information Concerning the Resulting Issuer" for pro forma business, financial and share capital information relating to the Resulting Issuer after giving effect to the Transaction.

CORPORATE STRUCTURE

Graniz Mondal Inc. ("Graniz") was incorporated on May 5, 1995 under the *Business Corporations Act* (Alberta). On August 17, 2012, Graniz changed its corporate jurisdiction for the CBCA. The address of Graniz's registered office is 2840 Marie-Laurence St., Lévis, Québec, G6W 8J9.

The authorized share capital of Graniz consists of an unlimited number of first preferred shares and unlimited number of second preferred shares and an unlimited number of common shares (the "Graniz Shares"). As of the date of this Filing Statement, 21,194,081 Graniz Shares are issued and outstanding.

The Graniz Shareholders are entitled to receive notice of and attend all meetings of the Graniz Shareholders and are entitled to one vote for each Graniz Share held. In the event of the liquidation, dissolution or winding-up of Graniz, the Graniz Shareholders are entitled to share rateably in the remaining assets of Graniz.

The head office and registered office of Graniz is located at 2840 Marie-Laurence St., Lévis, Québec G6W 8J9.

GENERAL DEVELOPMENT OF THE BUSINESS

HISTORY

Graniz was founded as an early stage mineral exploration company focused on identifying deposits in Canada. Graniz has never held an interest in any producing mineral resource property.

In 2003, Graniz acquired two properties from SOQUEM. The Opawica Gold Property 2 km from Shortt Lake Gold Mine and the Troilus-South Property (copper and zinc) near the Troilus Mine (Gold and copper). Following varied exploration expenses, Graniz acquired 100% of Opawica and 50% of Troilus-South. After the drop in gold prices and the drop in base metal prices, the management of Graniz kept the properties in good standing and decided to wait for the eventual rise of the prices of the commodities. In 2012 Graniz acquired the Mousseau Option. The successful 2013 drilling program resulted into the discovery of a 4.1 million tonne (inferred) graphite deposit at 6.2 % graphite, as reported by the authors of the September 24 2013, NI 43-101 Technical Report (Alain Tremblay and Yvan Bussièrès, Qualified Persons). The owners of the Mousseau West Property are Berthe Lambert, Richard-Marc Lacasse and Donald Théberge. Berthe Lambert and Richard-Marc Lacasse, both directors of Graniz, are non-arm's length parties to Graniz and arm's length parties to NanoXplore and the Resulting Issuer. Donald Théberge is an arm's length party to Graniz, NanoXplore and the Resulting Issuer.

In 2016, Graniz did not renew the mining claims relating to the Opawica property and in 2017, Graniz acquired 100% of the Troilus South property.

See also "Part I: Information Concerning Graniz - Graniz Selected Financial Information and Management's Discussion and Analysis"

Graniz does not have any plan to perform a private placement prior to the Transaction. The Resulting Issuer will however issue common shares and common share purchase warrants under the Private Placement shall all conditions precedent to the Private Placement be fulfilled. See «Part III: Information Concerning the Resulting Issuer - *Private Placement*».

GRANIZ SELECTED FINANCIAL INFORMATION AND MANAGEMENT’S DISCUSSION AND ANALYSIS

Selected Financial Information

The following table sets out selected financial information for Graniz for the periods indicated and should be considered in conjunction with the more complete information contained in the financial statements of Graniz attached as Schedule "A" to this Filing Statement.

Statement of comprehensive Loss Data:	Year Ended March 31, 2015 ⁽¹⁾	Year Ended March 31, 2016 ⁽¹⁾	Year Ended March 31, 2017 ⁽¹⁾
Total Income	\$nil	\$nil	\$nil
Total Expenses	\$83,113	\$59,540	\$68,037
Net loss Comprehensive loss	\$83,113	\$59,540	\$68,037
Balance Sheet Data	As at March 31, 2015 ⁽¹⁾	As at March 31, 2016 ⁽¹⁾	As at March 31, 2017 ⁽¹⁾
Total Assets	\$680,450	\$668,414	\$671,634
Total Liabilities	\$426,934	\$474,438	\$541,362
Shareholders’ Equity	\$253,516	\$193,976	\$130,272

(1) Audited

Management’s Discussion and Analysis

Please see attached as Schedule “D” hereto the management’s discussion and analysis of Graniz for the fiscal year ended March 31, 2017.

DESCRIPTION OF SECURITIES

Graniz is authorized to issue an unlimited number of Graniz Shares. There are 21,194,081 Graniz Shares issued and outstanding as of the date of this Filing Statement.

Holders of Graniz Shares are entitled to receive notice of any meetings of shareholders of Graniz, and to attend and to cast one vote per Graniz Share at all such meetings. Holders of Graniz Shares do not have cumulative voting rights with respect to the election of directors and, accordingly, holders of a majority of the Graniz Shares entitled to vote in any election of directors may elect all directors standing for election. Holders of Graniz Shares are entitled to receive on a pro rata basis such dividends on the Graniz Shares, if any, as and when declared by the Graniz Board at its discretion from funds legally available therefore, and upon the liquidation, dissolution or winding up of Graniz are entitled to receive on a pro rata basis the net assets of Graniz after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a pro rata basis with the holders of Graniz Shares with respect to dividends or liquidation. The Graniz Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions. The following table sets forth the capitalization of Graniz as at July 31, 2017.

Graniz Shares (authorized - unlimited)	Number of Graniz Shares	Amount
Balance, July 31, 2017	21,194,081	\$3,800,036

STOCK OPTION PLAN

Graniz's stock option plan (the "Stock Option Plan") was established by the Graniz Board and the effective date of the Stock Option Plan is April 3, 2008. The objective of the Stock Option Plan is to permit the directors, executive officers, employees, consultants and persons providing investor relation services to participate in the growth and development of Graniz through the grant of options ("Graniz Options") to purchase common shares. Under the Stock Option Plan, the Graniz Board may, from time to time and at its discretion, grant to directors, officers, employees or consultants of Graniz options to acquire Graniz Shares, provided that the number of options granted does not exceed a maximum of 10% of the aggregate number of Graniz Shares issued and outstanding at the time of such grant. Consequently, the number of Graniz Shares that are reserved under the Stock Option Plan is automatically increased as the number of issued and outstanding Graniz Shares increases. As of July 31, 2017, the number of Graniz Shares reserved for issuance under the Stock Option Plan is 2,119,408. Any Graniz Shares subject to an option, which for any reason is cancelled or terminated without having been exercised, is again available to be granted under the Stock Option Plan.

Subject to any limitations which may be imposed by the Graniz Board and the Exchange's policies, all Graniz Options granted under the Stock Option Plan may be exercised in whole or in part in the case of an optionee who is a consultant or an employee conducting investor relations activities:

- (a) in respect of one-third of the shares under option commencing six months following the grant thereof;
- (b) in respect of one-third of the shares under option commencing twelve months following the grant thereof;
- (c) in respect of one-third of the shares under option commencing eighteen months following the grant thereof.

In the event that any optionee who is a service provider ceases to be a service provider for the Graniz for any reason other than death, the optionee will be entitled to exercise his or her Graniz Options only within a period of 90 days next succeeding such cessation (or 30 days if such person is providing investor relations services) or such other date as may be determined by the board subject to regulatory approval, but in no event may any Graniz Options be exercised following the expiry date thereof. In the event of the death of an optionee during the currency of the optionee's Graniz Option, such Graniz Options may only be exercised within a period of one year succeeding the optionee's death or such other date as may be determined by the Graniz Board subject to regulatory approval, up to the expiry date thereof. All Graniz Options vest at the discretion of the Graniz Board.

The total number of Graniz Shares which may be reserved for issuance to any one individual under the Stock Option Plan within any one year period shall not exceed 5% of the outstanding issue. The maximum number of Graniz Options which may be granted to persons performing investor relations services under such Stock Option Plan, any other employer stock options plans or options for services, within any 12 month period must not exceed, in the aggregate, 2% of the Graniz Shares issued and outstanding at the time of the grant (on a non-diluted basis). The maximum number of Graniz Shares which may be reserved for issuance to insiders under such Stock Option Plan, any other employee stock

option plans or options for services, shall be equal to 10% of the Graniz Shares issued and outstanding at the time of the grant (on a non-diluted basis).

The above description reflects the terms of the Stock Option Plan as of the date of this Filing Statement. Note that these terms may be amended as proposed by the Graniz Board, subject to the Graniz Shareholders' approval. For more information, see Graniz's management information circular dated July 10, 2017 (the "Circular") prepared in connection with the annual and special meeting of Graniz Shareholders to be held on August 11, 2017, available on SEDAR.

The exercise price of Graniz Options may not be lower than the market price of the Graniz Shares at the time the option is granted, as calculated based upon the prior trading day closing price of the Graniz Shares on any stock exchange on which the Graniz Shares are listed or dealing network where the Graniz Shares trade, where applicable. In the event that there is no such closing price or trade on the prior trading day, the market price shall be based upon the average of the daily high and low board lot trading prices of the Graniz Shares on any stock exchange on which the shares are listed or dealing network on which the Graniz Shares trade for the five immediately preceding trading days. Graniz Options to purchase 1,825,000 Graniz Shares are currently outstanding as of the date of this Filing Statement, as follows for Insiders:

Name and Position	Number of Graniz Options	Exercise price	Expiry date
Berthe Lambert President and CEO	125,000	\$0,10	04-01-2018
	200,000	\$0,115	23-09-2018
	200,000	\$0,10	15-01-2020
	100,000	\$0,05	20-05-2021
Gilles Roy Director	100,000	\$0,10	04-01-2018
	200,000	\$0,115	23-09-2018
	100,000	\$0,10	15-01-2020
	100,000	\$0,05	19-05-2021
Chantal Guillemette Director	100,000	\$0,145	13-11-2018
	100,000	\$0,10	15-01-2020
	100,000	\$0,05	19-05-2021

In connection with the Transaction, Graniz proposes to cancel all options currently issued under its Stock Option Plan and to issue 141,293 new options to directors and officers of Graniz exercisable at a price of \$0.45 per Graniz Share (post-consolidation) in order to bring the price in line with the expected market pricing. For more information, see Graniz's Circular available on SEDAR.

PRIOR SALES OF SECURITIES

Graniz has not sold any securities within the 12 months before the date of this Filing Statement.

Stock Exchange Price

The following table sets out trading information for the Graniz Shares for the periods indicated as reported by the Exchange.

Period	High	Low	Trading volume
July 2017	N/A	N/A	N/A
June 1 st to 7, 2017 (trade halt on June 7, 2017)	\$0.025	\$0.015	nil
May 2017	\$0.025	\$0.015	152,900
April 2017	\$0.045	\$0.005	488,460
Quarter ended March 31, 2017	\$0.040	\$0.040	4,000
Quarter ended Dec 31, 2016	\$0.040	\$0.035	98,750
Quarter ended Sep 31, 2016	\$0.050	\$0.035	76,246
Quarter ended June 30, 2016	\$0.045	\$0.015	319,443
Quarter ended March 31, 2016	\$0.030	\$0.010	341,000
Quarter ended Dec 31, 2015	\$0.025	\$0.010	848,140
Quarter ended Sep 31, 2015	\$0.030	\$0.010	291,000

EXECUTIVE COMPENSATION

The discussion below relates to executive and director compensation matters related to Graniz as of the date of this Filing Statement, prior to giving effect to the Transaction. For details concerning compensation that is expected to be payable following the completion of the Transaction, please refer to *“Part III: Information Concerning the Resulting Issuer - Executive Compensation”*.

Compensation Discussion and Analysis

Graniz’s approach to executive compensation has historically been to provide suitable compensation for executives that is internally equitable, externally competitive and reflects individual achievement. Graniz attempts to maintain compensation arrangements that will attract and retain highly qualified individuals who are able and capable of carrying out the objectives of Graniz. For a discussion of the proposed executive compensation structure of the Resulting Issuer following completion of the Transaction, please refer to *“Part III: Information Concerning the Resulting Issuer - Executive Compensation”*.

Graniz compensation arrangements for the Graniz Named Executive Officers may, in addition to salary, include compensation in the form of bonuses and, over a longer term, benefits arising from the grant of Graniz Options. Given the stage of development of Graniz, compensation of the Graniz Named Executive Officers to date has emphasized meaningful Graniz Option awards to attract and retain Graniz Named Executive Officers and, to a certain extent, to conserve cash. This policy may be re-evaluated in the future to instead emphasize increased base salaries and/or cash bonuses with a reduced reliance on Graniz Option awards, depending upon the future development of Graniz and other factors which may be considered relevant by the Graniz Board from time to time.

During the fiscal year ended March 31, 2017, (i) the Chief Executive Officer of Graniz was not paid a salary with respect to the period from April 1, 2016 to March 31, 2017; and (ii) the Director of Finance of Graniz received a salary of \$1,778.

The Graniz Board establishes and reviews Graniz overall compensation philosophy and its general compensation policies with respect to the Chief Executive Officer and other officers, including the corporate goals and objectives and the annual performance objectives relevant to such officers. The

Graniz Board evaluates each officer's performance in light these goals and objectives and, based on its evaluation, determines and approves the salary, bonus, options and other benefits for such officers. In determining compensation matters, the Graniz Board may consider a number of factors, including Graniz performance, the value of similar incentive awards to officers performing similar functions at comparable companies, the awards given in past years and other factors it considers relevant. The current overall objectives of Graniz compensation strategy are to reward management for their efforts, while seeking to conserve cash given current market conditions. With respect to any bonuses or incentive plan grants which may be awarded to executive officers in the future, Graniz has not currently set any objective criteria and will instead rely upon any recommendations and discussion at the Graniz Board level with respect to the above-noted considerations and any other matters which the board may consider relevant on a going-forward basis, including the cash position of Graniz.

Existing Graniz Options held by the Graniz Named Executive Officers at the time of subsequent Graniz Option grants are taken into consideration in determining the quantum or terms of any such subsequent Graniz Option grants. Graniz Options have been granted to directors, management, employees and certain service providers as long-term incentives to align the individual's interests with those of Graniz. The size of the Graniz Option award is in proportion to the deemed ability of the individual to make an impact on Graniz success.

Compensation Excluding Compensation Securities

The following table presents the required information pursuant to Form 51-102F6V - *Statement of Executive Compensation - Venture Issuers* of Regulation 51-102 for direct and indirect compensation paid, made payable, awarded, granted, gave or otherwise provided by Graniz to each named executive officer and director for the last two financial years for services provided, directly or indirectly, to Graniz, and to each director of Graniz for the financial years ended March 31, 2017.

During the most recently completed financial year ended March 31, 2017, Graniz had two Named Executive Officers, namely Berthe Lambert, President, Chief Executive Officer and Secretary, and Marie-Josée Têtu, Director of Finance of Graniz (since September 26, 2014).

Graniz paid no compensation in cash to its directors for services rendered as director of Graniz for the financial year ended March 31, 2017.

Table of compensation excluding compensation securities							
Name and Position	Years Ended March 31	Salary, consulting fee, retainer or commission ⁽¹⁾ (\$)	Bonus ⁽²⁾ (\$)	Committee or meeting fees ⁽³⁾ (\$)	Value of perquisites ⁽⁴⁾ (\$)	Value of all other compensation (\$)	Total compensation (\$)
Berthe Lambert ⁽⁵⁾ President, CEO and Secretary	2017	0	0	0	0	0	0
	2016	0	0	0	0	0	0
Marie-Josée Têtu ⁽⁶⁾ Director of Finance	2017	1 778	0	0	0	0	1 778
	2016	2 360	0	0	0	0	2 360
Gilles Roy Director	2017	0	0	0	0	0	0
	2016	0	0	0	0	0	0
Chantal Guillemette Director	2017	0	0	0	0	0	0
	2016	0	0	0	0	0	0
Richard-Marc Lacasse ⁽⁷⁾ Director	2017	0	0	0	0	0	0
	2016	0	0	0	0	0	0

Notes :

- (1) No salary was paid to executive officers and directors for the years ended March 31, 2017 and 2016.
- (2) No bonus was paid to executive officers and directors for the years ended March 31, 2017 and 2016.
- (3) No meeting fees were paid to executive officers and directors for the years ended March 31, 2017 and 2016.
- (4) No perquisites have been provided to the Named Executive Officers or Directors. "Perquisites" means benefits that are not offered to all the employees and that, in aggregate, are greater than the following amounts for the financial year: a) \$15,000, if the total salary of the Named Executive Officer or Director does not exceed \$150,000; b) 10% of the Named Executive Officer's or Director's salary, if his total salary is greater than \$150,000 but less than \$500,000; c) \$50,000, if the Named Executive Officer's or Director's salary is \$500,000 or greater.
- (5) Mrs. Lambert is President, Chief Executive Officer and Secretary of Graniz and does not receive any director's fees.
- (6) Mrs. Têtu is Director of Finance of the Corporation and does not receive any director's fees.
- (7) Mr. Lacasse will no longer be a director of Graniz after the 2017 Graniz Shareholders meeting.

Stock Options and Other Compensation Securities

The following table sets forth all compensation securities granted or issued to each Named Executive Officer and Directors by Graniz in the most recently completed financial year ended March 31, 2017 for services provided or to be provided, directly or indirectly, to Graniz. Graniz had no other executive officers who received any Graniz Options during such periods.

Compensation Securities							
Name and Position	Type of Compensation Security (1)(2)(3)(4)	Number of Compensation Security, number of Underlying Securities, and Percentage of Class	Date of Issue or Grant	Issue, Conversion or Exercise Price (\$)	Closing Price of Security or Underlying Security on Date of Grant (\$)	Closing Price of Security or Underlying Security at Year End (\$)	Expiry Date
Berthe Lambert President, CEO and Secretary	Options	100 000 ⁽⁵⁾	May 20, 2016	0.05	0.015	0.04	May 20, 2021
Marie-Josée Têtu Director of Finance	Options	-	-	-	-	-	-
Gilles Roy Director	Options	100 000 ⁽⁵⁾	May 20, 2016	0.05	0.015	0.04	May 20, 2021
Chantal Guillemette Director	Options	100 000 ⁽⁵⁾	May 20, 2016	0.05	0.015	0.04	May 20, 2021
Richard-Marc Lacasse ⁽⁶⁾ Director	Options	-	-	-	-	-	-

Notes:

- (1) As at March 31, 2017, the following persons held the following quantity of stock options for the purchase of an equivalent number of common shares of Graniz: Berthe Lambert: 625,000 options; Marie-Josée Têtu: 0 options; Gilles Roy: 500,000 options; Chantal Guillemette: 300,000 options; Richard-Marc Lacasse: 0 options.
- (2) The options were granted under the Stock Option Plan. A description of Graniz's Stock Option Plan is set out under the heading "Stock Option Plan" below. During the most recently completed financial year, no adjustments were made to the prices of shares and no options were canceled, replaced or modified.
- (3) Options are exercisable at the time they are granted.
- (4) As at March 31, 2017, all options were exercisable without restrictions or conditions.
- (5) Options granted at the fair value \$1,190; the \$0.0119 fair value per option was estimated using the Black-Scholes model with no expected dividend yield, an expected volatility of 140%, a risk-free interest rate of 0.75% and an expected life of 5 years.
- (6) Mr. Lacasse will no longer be a director of Graniz after the 2017 Graniz Shareholders meeting.

Exercise of Compensation Securities by Directors and Named Executive Officers

No compensation securities were exercised by any executive officer or directors of Graniz during the fiscal year ended March 31, 2017.

Management Contracts

No management functions of Graniz are to any substantial degree performed by a person or company other than the directors or executive officers (or private companies controlled by them, either directly or indirectly) of Graniz.

NON-ARM'S LENGTH PARTY TRANSACTIONS

There has been no non-arm's length party transaction in the last 24 months. The proposed Transaction is an arm's length transaction.

LEGAL PROCEEDINGS

There are no legal proceedings to which Graniz is, or has been, a party or of which any of its property is, or has been, the subject matter. Additionally, to the reasonable knowledge of the management of Graniz, there are no such legal proceedings contemplated.

AUDITORS, TRANSFER AGENTS AND REGISTRARS

The auditors of Graniz are Mallette LLP, located at 3075 Chemin des Quatre Bourgeois #200, Québec City, Québec G1W 5C4

Graniz transfer agent and registrar is TSX Trust Company, located at Tour de la Bourse, 800 Victoria Square, Montréal, Québec, H4Z 1A9.

MATERIAL CONTRACTS

Graniz has not entered into any material contracts, except in the ordinary course of business, other than the Amalgamation Agreement (See "*Part II: Information Concerning NanoXplore - The Transaction - Effective Date and Conditions - Amalgamation Agreement*").

A copy of the above agreement will be available for inspection at the head office of Graniz at 2840 Marie-Laurence St., Lévis, Québec G6W 8J9 during ordinary business hours, until the Effective Date and for a period of thirty (30) days thereafter.

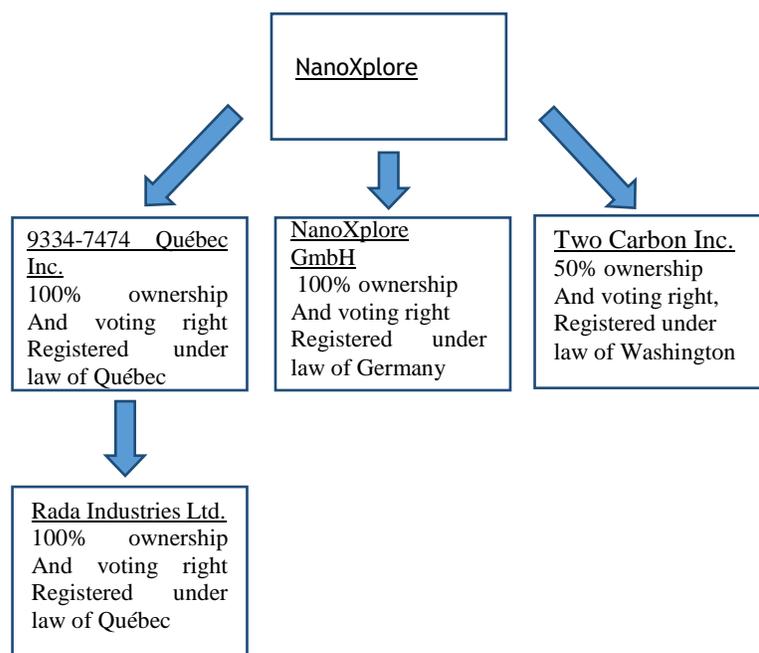
PART II - INFORMATION CONCERNING NANOXPLORE

The following information has been provided by NanoXplore and is presented on a pre-Transaction basis and is reflective of the current business, financial and share capital position of NanoXplore. See "*Part III: Information Concerning the Resulting Issuer*" for pro forma business, financial and share capital information relating to the Resulting Issuer following the Transaction.

CORPORATE STRUCTURE

NanoXplore was incorporated under QBCA on December 13, 2011. No securities of NanoXplore are currently publicly traded on any stock exchange, and NanoXplore is not a reporting issuer in any jurisdiction. The registered office of NanoXplore is located at 25 Montpellier Blvd, Montréal, Québec, H4N 2G3.

INTERCORPORATE RELATIONS



GENERAL DEVELOPMENT OF THE BUSINESS

History

NanoXplore is a graphene company, a manufacturer and a supplier of high volume graphene powder for use in industrial markets. NanoXplore is also a designer and producer of blow and injection molded plastic parts for a wide array of customers.

NanoXplore has developed a proprietary scalable manufacturing process, a graphene production platform, to produce and supply high quality, engineered graphene materials which can be used by third parties in a wide variety of industrial and commercial applications. NanoXplore also provides standard and custom thermoplastic products to many customers in food and health supplement packaging, recreational products, marine and aquaculture products and other industrial sectors.

In June 2016, NanoXplore's wholly-owned subsidiary 9334-7474 Québec Inc. entered into a definitive agreement to purchase all issued and outstanding shares of Gestion RJ Aubin Inc. Gestion RJ Aubin Inc. had a fully owned subsidiary called Rada Industries Ltd. and the property located at 181 Brossard St., Delson, Québec J5B 1W9. Rada Industries Ltd. is a custom plastic injection and blow molding company. Accordingly, 9334-7474 Québec Inc. paid Gestion RJ Aubin Inc. a total of \$2.1M. 9334-7474 Québec Inc. merged with Gestion RJ Aubin Inc. on July 1st, 2016.

NanoXplore has its headquarters and graphene production facility in Montréal, Québec and its plastic production facility in Delson, Québec in Montréal's South Shore region. NanoXplore has three material subsidiaries: 9334-7474 Québec Inc. (100% owned) which is holding company that own 100% of Rada Industries Ltd. (located at Delson, Québec), NanoXplore GmbH (100% owned and located in Mainz, Germany) and Two Carbon Inc. (a 50:50 joint venture with Markus Hutnak, located in Santa Cruz, California, near Silicon Valley). NanoXplore GmbH is a business development office from which

NanoXplore supports European innovators in the plastic, rubber, automotive, and many other industries. Two Carbon Inc. is focused on development of graphene based solutions for the sports and outer wear industries.

NanoXplore's graphene production facility is located at 25 Montpellier Blvd, Montréal, Québec, H4N 2G3.

NanoXplore's plastic production facility is located at 181 Brossard St., Delson, Québec J5B 1W9.

NanoXplore GmbH is located at An Der Fahrt 5, 55124, Mainz, Germany.

NanoXplore's key strategy has been to develop, optimise and scale up its proprietary graphene production platform in order to provide industrial volumes of high quality graphene powder at a low enough price point to dramatically accelerate market adoption. NanoXplore believes that it has now achieved its goal having:

1. rigorously scaled up and optimised the production process from the lab to 25 tonnes/year capacity, in a facility using standard production machines;
2. obtained U.S. patent protection for its proprietary production platform, with another pending; and
3. demonstrated the required quality and industrial suitability of its graphene by routinely compounding the graphene with thermoplastics, and manufacturing commercial plastic products in a typical plastic molding facility

NanoXplore has established what it believes to be the largest Canadian graphene powder production plant in Montréal, designed with a modular structure and with a production capacity today of 25 tonnes/year and up to 70 tonnes/year with additional machinery in the same location. Partnered with Canadian mining company Mason Graphite, NanoXplore has access to a stable, long term, large flake source of raw material from Québec. NanoXplore's facility also incorporates a unique graphene plastic compounding facility with a capacity of 400 tonnes/year of graphene enhanced plastic masterbatch pellets, as well as full laboratory with facilities to characterise graphene material and graphene-enhanced plastics, and with the ability to develop new polymer-graphene formulations. NanoXplore's research and product development team are co-located with the graphene production, and are supported by a fully equipped material characterisation and test laboratory. This team's core expertise is development and formulation of carbon additives, such as graphite and graphene, to improve the performance of industrial materials.

NanoXplore has demonstrated that it can reliably improve plastic products, either molded plastic products produced by NanoXplore's own plastic production facilities or customer products using NanoXplore's compounded plastic pellets, providing better thermal, electrical and/or mechanical performance in plastic products. The plastic pellets are an industry standard form factor so are easily adopted by plastic manufacturers for almost any application with no impact to standard plastic machines or equipment. The graphene content allows faster production throughput and permits products with thinner walls, providing fabrication cost savings. The resulting improved plastic products with little or no cost premium supports NanoXplore's acquisition strategy by improving products and profitability at the acquired companies, provides a channel for sale of NanoXplore's graphene powder, and provides a mechanism to develop market credibility to accelerate adoption of graphene materials in thermoplastic and other markets.

The key differentiators which provide NanoXplore's competitive advantage are:

- Innovative, proprietary and patent protected graphene production technology (3 granted U.S. patents, 1 pending patent) with significant cost advantage;
- Largest Canadian producer of graphene and a global graphene player;
- 25 tonnes/year graphene production capacity today with capability of 70 tonnes/year capacity in current facility;
- Employs 55 people, in two production facilities (45,000 sq. ft. in total) near Montréal;
- 400 tonnes/year graphene-plastic compounding facility;
- Currently fabricates and sells over 5 million plastics parts and assemblies per year;
- Awarded \$10M project from Sustainable Development Technology Canada (“SDTC”), a Government of Canada foundation, for metal replacement with Graphene enhanced plastics for electric transportation market (government contribution \$3.3M maximum); and
- Proprietary graphene anode and cathode formulations for Li-ion.

NanoXplore’s plastic fabrication facility in Delson, Québec, was obtained by the acquisition of Rada Industries Ltd. in 2016. Rada Industries Ltd. was a well-established plastic molding company, in business since 2004, and focused on small run custom product manufacturing for customers in packaging, including FDA approved plastic containers for food and nutritional supplements, large aquaculture buoys, transportation, and other industries.

For the fiscal year ending June 30, 2016, NanoXplore’s income was comprised of polymer product sales (from the former Rada Industries Ltd.), laboratory services and license fees, sales and government development support contributions.

NARRATIVE DESCRIPTION OF THE BUSINESS

Products and Target Markets

Today NanoXplore provides two main types of products:

1. graphene powder (graphene nanoplatelets and few layer graphene) under the heXo-G brand; and
2. plastic and graphene enabled plastic products.

Graphene powder is provided to industrial product developers, and to academic and industrial researchers. The target industrial applications are various, including polymers, paints, and coatings. Customers are served by direct sales. Following the 10,000 tonnes/year capacity scale up and resulting cost reduction, NanoXplore believes that this will be its largest and key business segment.

Plastic products, either molded plastic products produced at NanoXplore’s own plastic production facilities or compounded plastic pellets provided to product developers in plastic industries, serve as a channel to market for NanoXplore’s graphene powder. Pellets are a standard form factor for plastic product companies and can be used for injection and blow molding, thermoforming, and profile production. The end applications can be almost any plastic product. Customers are served by a mix of direct sales and sales through industry brokers.

Emerging Products and Target Markets

NanoXplore is continuing to offer the same two types of products described above, but is developing a more focused market, product and distribution strategy in order to continue to generate successful use cases and to ultimately stimulate demand for graphene sales.

In the discussion above, “plastics” is more precisely thermoplastics. There are two main types of plastics; thermoplastics and thermosets. A thermoplastic becomes soft when heated and hard when cooled. This makes thermoplastics easy to form into complex products using injection or blow molding, and relatively easy to recycle. Thermosets harden through an irreversible curing process. Thermosets are often less expensive, especially for large pieces, but they are not generally recyclable. Note that epoxy-based paints and coatings are also thermosets.

NanoXplore’s heXo-G graphene is highly suitable for improving the performance of thermoplastics. This has been demonstrated through customer collaborations across many industries and applications, by thermoplastic product testing at NanoXplore’s laboratory, and by successful incorporation in commercial thermoplastic products at NanoXplore’s plastic production facility.

Accordingly, NanoXplore’s strategy is to focus on thermoplastics pellets and molded products and demonstrate performance and support customers through the acquisition of successful plastic companies. These companies have existing customers and proven production capability. NanoXplore can help improve product performance and profitability, while exposing the existing customers to the benefits available from graphene enhanced plastics. Building upon success and credibility in thermoplastics, NanoXplore plans to offer heXo-G graphene powder, and powder based formulations, to thermoset material companies.

NanoXplore has identified specific product and market opportunities that it will focus on in more detail. These opportunities include plastic and plastic composite materials for transportation, specifically for metal replacement and light weighting for commercial vehicles, the target of the SDTC project. Other opportunities include graphene enhanced thermoplastics for electromagnetic shielding at high frequencies where the company sees opportunities in shielding of autonomous vehicles, 5G network components, and electronic enclosures more generally. High barrier thermoplastics for chemical and other containers is another opportunity. All of these product opportunities will be developed initially by NanoXplore’s core product development team but then quickly spread as new product opportunities to the acquired companies.

- **Graphene Black**

NanoXplore has identified an opportunity to provide graphene powder in volume at a price low enough to address a large portion of the existing carbon black market. Carbon black is very large, well established, additive market (US\$ 8,176 M in 2014) and it is used primarily to improve polymers such as tires and other plastic and rubbers. Graphene can provide better performance at much less added weight than carbon black, often 6 to 30 times less. However, the cost of graphene to date has been much too high to compete with carbon black for most applications.

The price of carbon black ranges from US\$1000-2000/tonne for simple reinforcing additives, to US\$20,000-30,000/tonne for high conductivity grades. There is an industry trend for higher cost versions to be used in order to improve performance and comply with government regulations, but the vast majority of carbon black is sold at less than US\$5,000/tonne. The price of graphene powder for carbon black substitution has been in the US\$50,000-120,000/tonne range.

NanoXplore believes that at higher production volumes (on the order of 10,000 tonnes/year), it can conservatively achieve a cost of production of US\$3,500/tonne and a selling price of at least US\$8,000/tonne. NanoXplore has performed an internal preliminary cost estimate to validate these estimates and is proceeding with more detailed analysis. A trademark application for GrapheneBlack has been submitted.

- **Energy Storage Materials**

A future target market is energy storage, where NanoXplore graphene can add value to anode and cathodes in next generation Li-ion and LiS (lithium sulphur) batteries. NanoXplore has been doing significant research and development of these materials for 3 years and technical results to date have been very promising. NanoXplore is not currently offering any commercial products in this market however, material solutions to enhance capacity and safety of batteries are under development.

Operations

- **Graphene Production Platform**

NanoXplore's graphene production platform covers the production of graphene powder and the compounding of graphene with thermoplastics. This technology platform allows customers to improve final products and components using graphene, across many industries and applications. It is comprised of proprietary knowledge, processes and expertise and is protected by 2 granted US patents, and 3 pending patents.

NanoXplore's graphene production process does not use strong acids, organic solvents or strong oxidizers. NanoXplore's process is a simple, rapid, water-based technique, and has no centrifugation or sonication steps. The process is environmentally safe, low energy, and high yield (well over 95% conversion). The simplicity of this patented process results into low cost of production and scalability. The scalability of the process has been rigorously demonstrated at Lab Scale, Pre-Pilot Unit (255 kg/year in 2014), Production Pilot (4.5 tonnes/year in 2015) and now with a Full Production System (25 tonnes/year) with industry standard production equipment.

The production facility in Montréal is modular and has been designed for an ultimate capacity of 70 tonnes/year. The system encompasses all production steps from receiving, screening and storage of raw inputs, through the core production process steps (exfoliation, washing, drying), quality assurance, packaging, inventory storage and shipping. The system was designed from the beginning to minimise its environmental impact. Even though the process is inherently low dust, the facility incorporates systems to capture and filter any small amounts of dust during transfer of the raw inputs, and during drying and packaging. The wastewater system recycles and reuses waste water and concentrate waste water is removed by certified waste disposal services. An upgraded system is planned to separate out concentrated solids and slurry waste and dramatically reduce the cost for waste disposal.

NanoXplore produces its own graphene and mixes it with plastics at Montréal facility and forms the mixed graphene-plastic pellets to final desired shapes using injection and blow molding machines of NanoXplore at its Delson facility.

There are two lease agreements in place for NanoXplore's Montréal facility located at 25 Montpellier Blvd, both of which terminating on October 31, 2020. NanoXplore has the right to renew both leases for an additional 5-year period ending on October 31, 2025, subject to the absence of default of NanoXplore under the terms and conditions of the leases. To the best of NanoXplore's knowledge, the lessor is at arm's length with NanoXplore and the leases are in good standing.

NanoXplore also entered into a mortgage agreement with TD Bank in June 2016 in connection with the acquisition of Gestion RJ Aubin. TD Bank provided \$1.25M to purchase the property located at 181 Brossard St., Delson, Québec J5B 1W9. The mortgage is amortised over 240 months and the mortgage agreement interest rate is renewed every year. To the best of NanoXplore's knowledge, the creditor is at arm's length with NanoXplore and the mortgage is in good standing.

The required raw materials to produce graphene and to mix it with plastics are readily available. In January 2014, NanoXplore signed an agreement with its largest shareholder and Insider, Mason Graphite, pursuant to which Mason Graphite has first right of refusal to supply the required graphite to produce graphene. The price of raw materials depends significantly on the purchase volume.

The technology behind producing graphene is defended with two main patents issued in the United States in 2016 and 2017. NanoXplore is currently pursuing to claim these two patents in other jurisdictions. The general life span of the patents is 20 years. For more info, please refer to "PART II - INFORMATION CONCERNING NANOXPLORE- Intellectual Property".

NanoXplore's business is not cyclical nor seasonal. During the fiscal year ending on March 31, 2017, NanoXplore employed 55 persons on average.

- **Plastics**

NanoXplore provides compounded plastic pellets to industrial product developers in plastic industries and for use in its own plastic product production. NanoXplore reliably compounds graphene and thermoplastics to engineer improvements to mechanical, electrical and thermal properties of final plastic products and components. The compounding facility, collocated with the graphene production in Montréal, uses innovative compounding processes protected by a US patent application. A twin screw extruder is used to melt mix the graphene with a range of thermoplastics including polyethylene, nylon, polycarbonate and others. NanoXplore's compounding facility has a capacity of 400 tonnes/year of masterbatch pellets.

NanoXplore's molded plastic production facility is located in Delson, Québec. The facility has been in operation since 2004, and typically runs three shifts, 5 days a week. The facility works with a wide range of thermoplastic resins including Acrylonitrile butadiene styrene (ABS), polystyrene (PS), Polycarbonate (PC), Polyethylene (PE), Polypropylene (PP), and Polyethylene terephthalate (PET). It has 7 blow molding machines capable of making containers up to 100 liters, 3 injection molding machines ranging from 200 to 480 Ton pressure, and 2 circular PET blow molding machines for containers up to 4 liters.

- **Research and Development**

NanoXplore has a very active internal research and development effort and supplements this with external collaborations at many Canadian universities and research institutes. NanoXplore is currently investing in research programs with McGill University, University of Waterloo, Institut national de la recherche scientifique (INRS-EMT), École de technologie supérieure (ETS), Centre de Technologie Minérale et de Plasturgie (CTMP), Concordia University and the Canadian National Research Council (the "NRC").

NanoXplore has benefited from the support of NRC's Industrial Research Assistance Program. NRC has supported NanoXplore in the development of its graphene products under the following projects which each ran for approximately 12 months:

- May 2016 - the project called “A Platform Technology to Produce Graphene Enhanced Epoxy Resins, Slurries, Pastes and Greases”, to a maximum of \$288,000 for the period from May 26, 2016 to June 9, 2017.
- May 2015 - the project called “A Platform Technology to Enhance Dispersibility of Graphene” for approximately \$192,000 for the period from April 1, 2015 to March 31, 2016.
- May 2014 - the project called “Production of Graphene Powders” for approximately \$132,000 for the period from April 1, 2014 to June 30, 2015.

Market Analysis

Graphene is a novel material and its market acceptance is very limited and requires long term testing and validation as well as customer education. Since its inception, NanoXplore sent small volumes of graphene powder to several research groups at universities and R&D department of companies to test and validate. From the feedbacks received from these groups, NanoXplore is confident that its products provide equal or superior performance in comparison with other carbon additives such as graphite and carbon black. Having said that, cost of production of graphene and selling price is not competitive with other carbon additives. NanoXplore plans to further scale up its production to reduce the cost of production and selling price.

Some regulations have direct impact on penetration of graphene in the market. Most important ones are standardization of graphene and health and safety regulation. Standardization of graphene assists the potential customers to classify different suppliers and vendors of graphene and ensures production consistency and supplier reliability. Health and safety regulations provides enough confidence for customers to readily use graphene in their products without concerns about disposal and impacts on health and environment. To the best of NanoXplore’s management’s knowledge at the time of drafting this filing statement, there has been no report in which graphene proved to be harmful for humans or animals or graphene disposal is damaging to environment.

NanoXplore participates in two markets: bulk graphene material, specifically graphene powder, and plastics, specifically plastic additives.

- **Graphene Powder**

As announced in a press release dated August 5, 2014, Allied Market Research forecasts that the global graphene material market will be US\$151.4 Million by 2021. Graphene nanoplatelets (GNP) segment, the material that NanoXplore manufactures, is expected to account for about two-third of the overall market revenue by 2021. According to a press release disseminated on November 23, 2015 by Research and Markets, the global graphene product market, which is the market for products that incorporate graphene, is expected to reach US\$278.47 Million by 2020, with a growth rate of 42.8% from 2015 to 2020.

NanoXplore believes, through discussions with competitors and industry associations, that pricing today for graphene nanoplatelets is between US\$50-\$200/kg depending on quality and volume of purchase, and that pricing will fall below US\$30/kg by 2019-2020 and reach perhaps US\$20/kg by 2021-2022.

At \$10/kg (\$10,000 tonne), NanoXplore believes the graphene adoption rate would be greatly accelerated as graphene at this price could address much of the existing carbon black market.

- **Carbon Black Market**

According to a press release dated April 19, 2017 by MarketsandMarkets, the carbon black market is projected to reach US\$13.79 Billion by 2021, at a CAGR of 4.6% between 2016 and 2021 and the carbon black market is driven by the increasing demand for carbon black in tire, rubber, plastic, inks & coatings, construction, metallurgy, resin coloring, and paint industries.

The most basic and inexpensive carbon black sells for between US\$1000-2000/tonne and is typically used at around 30 weight% loading, although loadings in some products such as rubber can exceed 50 weight%. For the same benefit in the final product, graphene loadings of 1-5 weight% would be typical. Therefore, graphene selling at US\$10,000/tonne could be competitive with even the most basic and inexpensive carbon black. Specialty varieties of carbon black can cost up to \$50,000/tonne or more, and high conductivity versions cost around \$25,000/tonne.

Key carbon black producers include Cabot Corporation, Birla Carbon, Orion Engineered Carbons SA., Imerys Graphite & Carbon Switzerland SA. 70% of carbon black by volume is used for tires where it performs a vital role in increasing tire's tread wear and rolling resistance, and improves handling, increased fuel efficiency (tire pressure, treading, traction), and grip with the road surface. 20% of carbon black by volume is used for other plastics/rubbers, where it makes polymers more resistant to UV radiation, provides conductivity and antistatic properties, and is increasing used as a pigment in lightweight auto-parts to improve conductivity (for spray painting).

- **Plastic Additives Market**

According to a press release of Grand View Research dated March 14, 2016, the global plastic additives market will reach US\$62.50 Billion by 2022 from 13.18 million tons in 2014, growing at CAGR of 4.5%, and increasing demand for these additives is directly proportional to the growing consumption of polymers across the globe.

Composite materials are made from two or more different materials that are combined together to create a new material with characteristics different from the individual components. The goal is to create a superior new material with improved performance in some aspect such as strength, less weight or lower cost. Graphene, with its unprecedented array of material characteristic improvements, is a natural candidate for use in advanced composite materials.

Leading candidates for graphene-based composites include structural and skin components for airplanes, cars, boats and spacecraft. In these applications, graphene can be used to increase thermal conductivity and dimensional stability, increase electrical conductivity, improve barrier properties, reduce component mass while maintaining or improving strength, increase stiffness and toughness (impact strength), improve surface appearance (scratch, stain and mark resistance), and increase flame resistance.

Graphene is an ideal component as an additive to plastics where several improvements are required. Significant cost savings, both in terms of material inputs and processing, can be achieved by replacing several different materials by one, graphene.

NanoXplore's graphene products are especially appropriate in material composites requiring improved:

- mechanical/structural properties;
- thermal and/or electrical conductivity;

- wear resistant and long lasting surface properties;
- anti-corrosion and anti-erosion properties, particularly under dynamic loads; and
- electro-magnetic shielding.

Market Plans and Strategies

NanoXplore markets its graphene and plastic products mostly in tradeshows and conferences either just by attending or having a booth. The list of tradeshows and conferences vary year over year and is selected based on the sales targets and attendance of potential customers. Plastic product customers are often located in Québec, Ontario, and North East United States. Hence local tradeshows are of significance importance for NanoXplore. Graphene powder and graphene mixed plastic customers attend mostly in scientific conferences and tradeshows. Historically NanoXplore invests around \$50,000 per year for marketing purposes which a main portion of it is dedicated to attend in tradeshows and conferences. NanoXplore's pricing policy is to provide a better performance at a discounted price to the customer to encourage customers to adopt graphene.

Competitive Challenges and Strategies

- **Challenges**

The speed of market adoption of novel material technologies is driven primarily by price. Secondary considerations are the availability of large volume supply and a range of use cases validating performance.

Initial adoption opportunities focus on substitution, replacing an existing material by the new material. Even if the new material offers a range of performance benefits, relatively few potential adopters are willing to pay a price premium. In the traditional model, a few early adopters begin to use the new material in high value, niche applications. As they and their colleagues become familiar with the new, better material, adoption slowly ramps up. And as more customers start to buy, volume demand increase and prices for the new material begin to fall. This can be a long, slow process.

The secondary considerations can slow the process further. Product developers will not consider a new material for their next generation product if they cannot identify an adequate source of supply. Ideally the supply will be local or regional, minimising procurement risk and shipping issues. Customers are also very reluctant to be the first to try a new material, no matter how exciting, until they can point to one or more success stories in a similar industry. NanoXplore's innovative business model was designed to address these concerns.

- **Innovative Business Model**

NanoXplore's innovative business model:

- To provide graphene powder at a price point competitive with commodity carbon black and at high volume (10,000 tonnes/year).
- NanoXplore's graphene production platform has been designed for localisation by licencing, allowing regional production sites.

- Through acquisition of plastic companies, creates successful use cases for customer reference and accelerates market adoption of graphene powder by leveraging existing customer relationships, capital equipment and sales.

NanoXplore’s novel business model is based upon vertical integration through downstream acquisitions. Synergistic acquisitions bring credibility and channels to market. Customers of acquired companies are generally open to evaluating graphene’s added value and, upon satisfactory performance, integration of graphene in their products is relatively straightforward. This model has been already proved at NanoXplore’s first acquired company, Rada Industries, where some customers are deploying graphene in products. Based on successful results of this model, NanoXplore plans to continue with more synergistic acquisitions of companies with precision injection molding, high tonnage injection molding, and sheet forming capabilities.

Future Developments

Reducing cost of graphene production is a critical for the growth of NanoXplore’s business. Currently the main concern in the graphene market is to reach into large sales volume and to do so, graphene selling price must be in the range of speciality chemical and carbon additive prices. Carbon materials prices varies from low grade \$1/kg for natural flake graphite up to a few tens of dollars for high end carbon blacks. NanoXplore management believes that \$8/kg graphene selling price generates an opportunity to replace many other carbon materials since final product’s performance is improved and customers benefit from a cost reduction. To reach into \$8/kg selling price and maintaining enough profit margin to generate value for shareholders, annual graphene production volume should be at a minimum of 10,000 tonnes.

NanoXplore plans to construct a 10,000 tonnes/year graphene production facility and a portion of proceed of this brokered private placement is dedicated to design and engineering work of the facility. In parallel, NanoXplore has done an internal analysis of the required capital to construct such facility and is shown below:

Project capital requirement

Item	Budget
Direct CAPEX	\$55.7M
Indirect CAPEX	\$3.3M
Contingency	\$6M
Total	\$65M

Source: Based upon an internal study done at NanoXplore

The facility consists of 5 main units and will be constructed on 200,000 sq.ft of land.

Main units are:

- (a) exfoliation- wet process (including powder feeding, liquid feeding, and milling);
- (b) purification- dry process (including washing, drying and grinding, screening, post-processing, and packaging);
- (c) control and service (including power distribution, compressed air network, process control system, and communication and security);

- (d) waste treatment (including liquid input purification, waste collection, and waste treatment); and
- (e) plant and construction (including wet process building, dry process building, office-storage-shipping building, laboratory, and waste treatment unit).

Direct CAPEX

Item	Initial CAPEX (M\$)	Sustaining CAPEX (M\$)	Total CAPEX (M\$)
Exfoliation- Wet process	26.43	3.22	29.65
Purification- Dry process	7.75	0.6	8.35
Control and Service	2	0.05	2.05
Waste treatment	2.45	0.45	2.9
Plant and construction	12.66	0.09	12.75
Total	51.29	4.41	55.7

In-direct CAPEX

Unit	Total CAPEX (M\$)
Engineering, Management	2.1
Construction temporary facility and operation	0.25
Commissioning	0.85
Others	0.1
Total	3.3

Operating expenses consist of 2 main items:

- (a) process (including manpower, energy, raw material, consumables, packaging, control quality, and maintenance); and
- (b) general and administration (including manpower, energy, and Fees, taxes, insurance and supplies).

Item	Annual cost (M\$)	\$ Cost per metric tonne	Process cost 20% contingency	Total \$ Cost per tonne	Proportion
Process	28.28	2,804	560	3,364	95.5%
General & administration	1.56	156	0	156	4.5%
Total	29.84	2,960	560	3,520	100%

To conclude and assuming the average selling price of \$8000/tonne, this project has a Net Present Value of \$327M (pre-tax).

NanoXplore plans to engage with arm's length engineering firms to validate the analysis and finalize the feasibility analysis of this facility by end of 2018-early 2019. This analysis has been performed internally by NanoXplore and may contain inconsistencies and unrealistic assumptions. Please see "Cautionary Note Regarding Forward-Looking Statements".

Intellectual Property

NanoXplore's IP portfolio consists of patents on manufacturing process of graphene, functionalization of graphene, techniques to mix/disperse graphene into plastics, along with recently added innovations on graphene based plastic foam technology and energy storage systems with graphene anodes and cathodes. Currently, NanoXplore's main graphene production and functionalization patents are issued in the United States and NanoXplore is seeking allowance in other jurisdictions, such as Canada, Europe and Australia. Other patents are pending or provisional.

IP Type	Country	Number	Filing Date	Status	Description
Patent	Canada	CA 2837394	19/Dec/2013	Pending	ELECTRO-MAGNETO-CHEMICAL SYNTHESIS OF FEW OR MULTI-LAYERS MAGNETIC GRAPHENE, GRAPHENE OXIDE & USES THEREOF
Patent	U.S.	9,586,825	9/Dec/2014	Issued March 7, 2017	LARGE SCALE PRODUCTION OF PARTIALLY OXIDIZED GRAPHENE
Patent	U.S.	9,469,542	22/Dec/2015	Issued October 18, 2016	LARGE SCALE PRODUCTION OF THINNED GRAPHITE, GRAPHENE, AND GRAPHITE-GRAPHENE COMPOSITES
Patent	U.S.	62/275,591	4/Jan/2016	Pending	METHOD OF COMPOUNDING GRAPHENE WITH NON-CONDUCTIVE PARTICLES AND APPLICATIONS THEREOF
Patent	U.S.	62/512,790	31 May/17	Pending	METHOD OF EXFOLIATING AND DISPERSING HIGH CONCENTRATION GRAPHENE NANOPATELETS (GNP) INTO POLYMERIC MATRICES USING SUPERCRITICAL FLUID (SCF)

NanoXplore's vision is to further strengthen its patent portfolio by constant investment and innovation in its R&D programs. All NanoXplore's IP is owned solely by the company and NanoXplore anticipates further development and patent submission in its polymer processing and energy storage programs.

NanoXplore has applied for three trademarks and will continue to do so as warranted by the development and execution of its marketing strategy. While NanoXplore™ is a registered Canadian trademark, applications were made and are pending in the U.S. for the HeXo-G™. trademark and in Canada for the GrapheneBlack™ trademark.

Lending

NanoXplore is not involved with any lending operations and has no policy or restriction on this regard.

Foreign operations

Other than the currency, NanoXplore has not identified any risks that may affect its foreign operations.

NANOXPLORE SELECTED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS

NanoXplore Selected Consolidated Financial Information

The following table sets out selected consolidated financial information for NanoXplore for the periods indicated and should be considered in conjunction with the more complete information contained in

the consolidated financial statements of NanoXplore attached as Schedule "B" to this Filing Statement. All currency amounts are stated in Canadian dollars.

Statement of loss and comprehensive loss and Financial position:	Year Ended June 30, 2015	Year Ended June 30, 2016	Nine-month period ended March 31, 2017
Total Revenues	\$214,805	\$776,850	\$2,550,895
Total Expenses	\$1,041,344	\$2,264,106	\$4,142,552
Loss & Comprehensive loss	\$826,539	\$1,487,256	\$1,591,657
Balance Sheet Data	As at June 30, 2015	As at June 30, 2016	As at March 31, 2017
Total Assets	\$2,604,093	\$5,138,434	\$5,192,916
Total Liabilities	\$214,436	\$4,127,968	\$3,404,434
Shareholders' Equity	\$2,389,657	\$1,010,466	\$1,788,482

Quarterly Information

Period	Total Revenue (\$)	Net loss From Ongoing Operations (\$)	Net loss and comprehensive loss (\$)	Loss per share (\$)
2017 Q3	\$776,895	\$676,657	\$676,657	\$0.50
2017 Q2	\$1,043,000	\$374,000	\$374,000	\$0.27
2017 Q1	\$731,000	\$541,000	\$541,000	\$0.43
2016 Q4	\$246,100	\$676,681	\$676,681	\$0.53
2016 Q3	\$69,923	\$424,358	\$424,358	\$0.33
2016 Q2	\$397,675	\$104,751	\$104,751	\$0.08
2016 Q1	\$63,152	\$281,466	\$281,466	\$0.22
2015 Q4	\$102,914	\$381,258	\$381,258	\$0.33

Management's Discussion and Analysis

Please see attached as Schedule "E" hereto the management's discussion and analysis of NanoXplore for fiscal years ended June 30, 2015 and June 30, 2016 and the 9-month period ended March 31, 2017. See also "Part III: Information Concerning the Resulting Issuer - Description of Business".

DESCRIPTION OF SECURITIES

Prior to the Transaction, NanoXplore will complete the Reorganization, pursuant to which its securities will be converted on a 1 for 40.0667 basis.

In connection with the Transaction, all NanoXplore Shares outstanding immediately prior to the Effective Date will be exchanged on the Effective Date for Resulting Issuer Shares, as set forth under the heading "The Transaction - Principal Steps of the Transaction". Set forth below is a summary of the terms of such securities.

NanoXplore is authorized to issue an unlimited number of NanoXplore Shares. An aggregate of 1,402,917 NanoXplore Shares (56,210,252 after conversion at the ratio of 1:40.0667) are issued and

outstanding as of the date of this Filing Statement. Holders of NanoXplore Shares are entitled to receive notice of any meetings of shareholders of NanoXplore, and to attend and to cast one vote per NanoXplore Share at all such meetings. Holders of NanoXplore Shares do not have cumulative voting rights with respect to the election of directors and, accordingly holders of a majority of the NanoXplore Shares entitled to vote in any election of directors may elect all directors standing for election. However, provided that Mason Graphite holds more than 32% of NanoXplore Shares, it has the right to appoint a director. Mr. Benoit Gascon, chairman of the board, is Mason Graphite's current nominee. In addition, Mr. Cameron Harris is the current nominee of a group of NanoXplore Shareholders, represented by Mr. Harvey Griggs, which holds approximately 18% of the NanoXplore Shares. Holders of NanoXplore Shares are entitled to receive on a pro rata basis such dividends on the NanoXplore Shares, if any, as and when declared by the board of directors of NanoXplore at its discretion from funds legally available therefor, and upon the liquidation, dissolution or winding up of NanoXplore are entitled to receive on a pro rata basis the net assets of NanoXplore after payment of debts and other liabilities. The NanoXplore Shares do not carry any redemption or conversion rights, nor do they contain any sinking or purchase fund provisions. Holders of NanoXplore Shares have pre-emptive rights as well as tag-along and drag-along provisions.

Stock Options

NanoXplore stock option plan (the "**Option Plan**") was established by the Board of Directors of NanoXplore and the effective date of the Option Plan is December 23, 2014. The objective of the Option Plan is to permit the directors, executive officers, employees, consultants and persons providing investor relation services to participate in the growth and development of NanoXplore through the grant of options to purchase common shares. Under the Option Plan, the NanoXplore Board may, from time to time and at its discretion, grant to directors, officers, employees or consultants of NanoXplore options to acquire NanoXplore Shares, provided that the number of options granted does not exceed 127,551 of common shares of NanoXplore issued and outstanding. Any NanoXplore Share subject to an option, which for any reason is cancelled or terminated without having been exercised, may be granted again under the Option Plan.

Subject to any limitations which may be imposed by the NanoXplore Board, all options granted under the plan may be exercised in whole or in part in the case of an optionee who is a consultant or an employee conducting investor relations activities:

- (a) in respect of one-third of the shares under option commencing at the time of the grant thereof;
- (b) in respect of one-third of the shares under option commencing twelve months following the grant thereof;
- (c) in respect of one-third of the shares under option commencing twenty four months following the grant thereof

In the event that any optionee who is a service provider ceases to be a service provider for the NanoXplore for any reason other than death, the optionee will be entitled to exercise his or her NanoXplore options only within a period of 90 days next succeeding such cessation or such other date as may be determined by the board, but in no event may any NanoXplore Options be exercised following the expiry date thereof. In the event of the death of an optionee during the currency of the optionee's NanoXplore option, such NanoXplore options may only be exercised within a period of one year succeeding the optionee's death or such other date as may be determined by the NanoXplore Board subject to regulatory approval, up to the expiry date thereof. All NanoXplore options vest at the discretion of the NanoXplore Board.

The total number of NanoXplore Shares which may be reserved for issuance to any one individual under the Option Plan within any one year period shall not exceed 5% of the outstanding issue. The maximum number of NanoXplore options which may be granted to persons performing investor relations services under such Option Plan, any other employer stock options plans or options for services, within any 12 month period must not exceed, in the aggregate, 2% of the NanoXplore Shares issued and outstanding at the time of the grant (on a non-diluted basis). The maximum number of NanoXplore Shares which may be reserved for issuance to insiders under such Option Plan, any other employee stock option plans or options for services, shall be equal to 10% of the NanoXplore Shares issued and outstanding at the time of the grant (on a non-diluted basis).

NanoXplore options to purchase 13,000 NanoXplore Shares (pre-Reorganization) are outstanding as of the date of this Filing Statement, as follows:

Name and Position	Number of NanoXplore shares under option	Exercise price	Expiry date
Catherine Frigon Vice President and General Counsel	6,000	\$18.03	January 2, 2022
Tatiana Kaydanova Employee	1,000	\$18.03	January 2, 2022
Benoît Gascon Director	2,000	\$18.03	May 2, 2022
Cameron Harris Director	2,000	\$18.03	May 2, 2022
Denis Labrecque Director	2,000	\$18.03	May 2, 2022

Prior to the Transaction, NanoXplore will complete the Reorganization pursuant to which its options will be converted on a 1 for 40.0667 basis. After giving effect to the Reorganization, the 13,000 outstanding options will be exercisable to purchase up to 520,866 NanoXplore Shares at an exercise price of \$0.45 per NanoXplore Share.

CONSOLIDATED CAPITALIZATION

The following table sets forth the capitalization of NanoXplore as at the dates referenced below. The only material changes in the consolidated capitalization of NanoXplore in the last three (3) completed fiscal years prior to the date of this Filing Statement were private placements of NanoXplore.

Designation of securities	Amount authorized	Amount outstanding securities as at March 31, 2017	Amount outstanding securities as at July 31, 2017
Class A shares	Unlimited	1,402,917 shares \$5,705,879	1,402,917 shares \$5,705,879
Operating loan	\$350,000	\$205,000	\$330,000
Current and non-current long-term debt	N/A	\$2,201,206	\$2,152,062

- At the date of the filing statement, 51,000 options are outstanding with exercise price between \$9.80 and \$18.03 with expiry date between October 23, 2020 and May 2, 2022;
- As at March 31, 2017, the deficit of NanoXplore is at \$4,103,981

PRIOR SALES

NanoXplore has not issued any securities during the 12 month period preceding the date of this Filing Statement, other than as set forth below.

Date	Security issued	Issue Price per Security	Aggregate Subscription/Principal Amount	Number of securities issued
October 28, 2016	Equity	\$18.03	\$1,255,000	69,605
October 28, 2016	Conversion of unsecured debenture (accrued interest included)	\$18.03	\$1,042,132	57,801
August 1, 2016	Convertible debenture	\$18.03	\$450,000	N/A

Stock Exchange Price

The NanoXplore Shares are not listed or publicly traded on any stock exchange.

The Management Team

Dr. Soroush Nazarpour (PhD, Nanotechnology) is the founder of NanoXplore and has been President & CEO since 2011. Dr. Nazarpour has extensive experience in advanced carbon nanomaterials, device physics, materials processing and integration, and is an acknowledged expert in the field of graphene. He is co-author of “Graphene Technology From Laboratory to Fabrication” published by Wiley & Co in 2016. Dr. Nazarpour’s vision has created a unique advanced material company based upon graphene, with both distinctive low cost/high volume production processes and innovative strategies for the integration of graphene into industrial supply chains.

Mr. Paul Higgins (B. Eng. Sc.) is NanoXplore’s Chief Operating Officer and has 30 years’ experience in the commercialisation of technology in the advanced materials, aerospace, telecommunication, and photonics industries. He has held management, marketing, engineering and project management positions in both large, world class corporations (Lockheed Martin, Unisys, Nortel, Emerson) and start-up ventures (Silk Displays, DSI Datotech, Lumenon Innovative Lightwave Technology).

Mr. Luc Veilleux (CPA, CA), is NanoXplore’s Chief Financial Officer and the Executive Vice President, Chief Financial Officer, and Corporate Secretary of Mason Graphite. Mr. Veilleux has over 20 years of executive management, financial and operational experience in manufacturing and mining industries including at Timcal (Imerys Graphite & Carbon) in the roles of Chief Financial Officer, COO and Vice-President of Finance (North America), at Maxi Canada Inc. in the roles of President and Financial Director, and senior position at PricewaterhouseCoopers LLP.

Ms. Catherine Frigon (LL.B., MBA) is NanoXplore’s Vice President and General Counsel, and has extensive experience as Senior Legal Services Manager and Executive Committee Member of large and medium-sized corporations operating in Canada and abroad. Prior to joining NanoXplore, Ms. Frigon held key executive positions such as Vice President and Corporate Secretary at Leroux Steel Inc., Associate General Counsel at ACE Aviation Holdings, General Counsel and Assistant Corporate Secretary at Hartco Income Fund, Legal Director, Hydro North America at Alstom Renewable Power Canada Inc., and Senior Legal Counsel at Bombardier Business Aircraft.

The Board of Directors

BENOÎT GASCON, CHAIRMAN AND MEMBER OF COMPENSATION COMMITTEE AND AUDIT COMMITTEE

Mr. Gascon, the CEO of Mason Graphite, has over 20 years of experience in the Graphite & Carbon industries. He was the CEO of Stratmin Graphite which operates the Lac-des-Iles deposit; one of North America's only producing graphite mines. He was responsible for negotiating the complete take-over of Stratmin Graphite by Imerys SA, a world leader in Industrial Minerals, to form Timcal Graphite & Carbon.

DR. CAMERON HARRIS, INDEPENDANT DIRECTOR AND MEMBER OF COMPENSATION COMMITTEE AND AUDIT COMMITTEE

Dr. Harris is the President of Canadian Engineering Associates, an engineering consultant that provides services to the global mining industry. He is a former Senior Vice President and General Manager at SNC-Lavalin, and former head of the Mining Industry Practice for North America at Accenture. He earned a PhD in Metallurgy from Imperial College in the UK. He has held a wide range of operational, technical and executive positions at world leading companies such as Noranda, Kvaerner, and Worley Parsons. Dr. Harris has been a Director for Cansolv Technology Inc. and has been previously involved in nano-materials production. He is widely published, has been symposium organizer and chair for technical conferences, is a Distinguished Lecturer for the Canadian Institute of Mining, Metallurgy and Petroleum (CIM), and a past Director of the Sustainable Chemistry Alliance (SCA).

DENIS LABRECQUE, INDEPENDANT DIRECTOR AND MEMBER OF AUDIT COMMITTEE

Mr. Labrecque is the Founder and President of NorCap Canada Ltd., and is a Special Advisor to the President at Aliston Capital and Advisor to Keira Capital Partners Inc. Mr. Labrecque owned and successfully operated a diversified group of manufacturing companies in Canada and United States for nearly 20 years. Since 1990, he has acted as an advisor in the mid-market Merger and Acquisition business and realized some 40 transactions totalling more than \$2 billion in value with manufacturing, consumer products, distribution, utility, and services companies. His educational qualifications include a Bachelor's of Business Administration, Major in Finance from *Université du Québec à Trois-Rivières* and Electromechanical Engineering (Instrumentation) from Devry Institute of Toronto.

EXECUTIVE COMPENSATION

This compensation discussion and analysis describes and explains the policies and practices of NanoXplore with respect to the compensation of each of its named executive officers (together, the "NanoXplore NEOs").

As noted above, NanoXplore's business to date has been focused on developing the graphene production technology, scaling up the graphene production to 25 tonnes/year, and manufacturing plastic and graphene enhanced plastic compounds and molded product. Historically, NanoXplore has not had a compensation plan for the NanoXplore NEOs. Given its early stage of operations, as part of the preparation for the Amalgamation and related transactions, NanoXplore is developing a comprehensive executive compensation program to attract and retain qualified and experienced professionals to its executive team. Each of the NanoXplore NEOs will become Resulting Issuer's NEOs upon completion of the Transaction. For details of the proposed executive compensation for the Resulting Issuer's NEOs, please see "*Part III: Information Concerning the Resulting Issuer - Executive Compensation*".

Base Salaries and Consultation Fees

The following table presents the required information pursuant to Form 51-102F6V - *Statement of Executive Compensation - Venture Issuers* of Regulation 51-102 for direct and indirect compensation paid, made payable, awarded, granted, gave or otherwise provided by NanoXplore or its subsidiaries to each named executive officer and director for the last two financial years for services provided, directly or indirectly, to NanoXplore or its subsidiaries, and to each director of NanoXplore for the financial years ended June 30, 2017. During the most recently completed financial year ended June 30, 2017, NanoXplore had two Named Executive Officers, namely Soroush Nazarpour, CEO, and Luc Veilleux, CFO of NanoXplore.

Table of compensation excluding compensation securities							
Name and Position	Year Ended June 30	Salary, consulting fee, retainer or commission	Bonus	Committee or meeting fees	Value of perquisites⁽¹⁾	Value of all other compensation	Total compensation
Soroush Nazarpour CEO	2017	\$135,000	\$nil	\$nil	\$nil	\$nil	\$135,000
	2016	\$120,000	\$nil	\$nil	\$nil	\$nil	\$120,000
Luc Veilleux CFO	2017	\$9,000	\$nil	\$nil	\$nil	\$nil	\$9,000
	2016	\$9,000	\$nil	\$nil	\$nil	\$nil	\$9,000
Paul Higgins COO	2017	\$130,000	\$nil	\$nil	\$nil	\$nil	\$130,000
	2016	\$101,000	\$nil	\$nil	\$nil	\$nil	\$101,000
Catherine Frigon VP & General Counsel	2017	\$67,000	\$nil	\$nil	\$nil	\$nil	\$67,000
	2016	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil
Francis Nedvidek Managing Director, NanoXplore GmbH	2017	\$208,000	\$nil	\$nil	\$nil	\$nil	\$208,000
	2016	\$212,000	\$nil	\$nil	\$nil	\$nil	\$212,000

(1) "Perquisites" means benefits that are not offered to all the employees and that, in aggregate, are greater than the following amounts for the financial year: a) \$15,000, if the total salary of the Named Executive Officer or Director does not exceed \$150,000; b) 10% of the Named Executive Officer's or Director's salary, if his total salary is greater than \$150,000 but less than \$500,000; c) \$50,000, if the Named Executive Officer's or Director's salary is \$500,000 or greater.

Stock Options and Other Compensation Securities

NanoXplore's Option Plan is described above, see "*Part II: Information Concerning NanoXplore - Description of Securities*". The following table sets forth all compensation securities granted or issued to each NanoXplore NEOs and Directors by NanoXplore in the most recently completed financial year ended June 30, 2017 for services provided or to be provided, directly or indirectly, to NanoXplore.

Compensation Securities							
Name and Position	Type of Compensation Security	Number of Compensation Security, number of Underlying Securities, and Percentage of Class ⁽¹⁾	Date of Issue or Grant	Issue, Conversion or Exercise Price ⁽¹⁾	Closing Price of Security or Underlying Security on Date of Grant	Closing Price of Security or Underlying Security at Year End	Expiry Date
Catherine Frigon VP & General Counsel	Options	6,000	January 2, 2017	\$18.03	\$18.03	\$18.03	January 2, 2022
Benoit Gascon Director	Options	2,000	May 2, 2017	\$18.03	\$18.03	\$18.03	May 2, 2022
Cameron Harris Director	Options	2,000	May 2, 2017	\$18.03	\$18.03	\$18.03	May 2, 2022
Denis Labrecque Director	Options	2,000	May 2, 2017	\$18.03	\$18.03	\$18.03	May 2, 2022

(1) Prior to the Transaction, NanoXplore will complete the Reorganization pursuant to which its options will be converted at a ratio of 1:40.0667 and will thereafter be exercisable at an exercise price of \$0.45 per NanoXplore Share.

Management Contracts

No management functions of NanoXplore are to any substantial degree performed by a person or company other than the directors or executive officers (or private companies controlled by them, either directly or indirectly) of NanoXplore.

TERMINATION AND CHANGE OF CONTROL BASED COMPENSATION

NanoXplore and each of the NanoXplore NEOs have executed a preliminary employment/service agreement which provides the principal terms of their respective employment with NanoXplore.

The NanoXplore NEOs do not have Change of Control-based provisions included in their current compensation agreements, except for Mr. Paul Higgins, whose compensation agreements provides for Change of Control bonus as follows:

- 2 times his base salary in the event of a Change of Control transaction where the value of NanoXplore is set at more than \$50M (either an initial public offering or trade sell); or
- 5 times his base salary in the event of a Change of Control transaction, where the value of NanoXplore is set at more than \$100M (either an initial public offering or trade sell).

None of NanoXplore NEOs have compensation agreements including a termination provision except for Mr. Paul Higgins and Ms. Catherine Frigon. In the case of Mr. Higgins, it provides for a notice of termination of up to six months in the event of a termination without cause. In the case of Mrs. Frigon, it provides for a notice of termination of up to six months in the first five years of employment and up to twelve months after five years employment in the event of a termination without cause.

It is proposed that, following completion of the Transaction, Mr. Soroush Nazarpour will become the Chief Executive Officer of the Resulting Issuer pursuant to an employment agreement that will include additional provisions for both termination and Change of Control- based compensation.

For details thereof, please see “Part III: Information Concerning the Resulting Issuer - Executive Compensation”.

NON-ARM’S LENGTH PARTY TRANSACTIONS

Since its formation, NanoXplore has not acquired any assets or services from (i) any director, officer or promoter of NanoXplore; (ii) any party disclosed in this Filing Statement as a principal security holder; or (iii) an Associate or Affiliate of any of the persons or companies referred to in sections (i) or (ii), except as set out below.

- Mason Graphite R&D and service agreement: NanoXplore provides a minimum of 200 hours of R&D (\$250/hour) annually for Mason Graphite, mostly regarding value added graphite products and graphite purification. For the 9-month period ended March 31, 2017, NanoXplore received \$50,000 from Mason Graphite related to R&D activities.
- Mason Graphite sales and marketing agreement which include the supply of graphite: Mason Graphite has a right to market NanoXplore’s products to potential customers. Mason Graphite receives a 5% commission of the gross revenues received by NanoXplore from third parties introduced by Mason Graphite. For the 9-month period ended March 31, 2017, no revenue derived from this contract. Mason Graphite has a right of first refusal to provide the required graphite to NanoXplore for graphene production. Mason Graphite also receives a 4% commission on the purchase price paid by NanoXplore for graphite from third parties introduced by Mason Graphite. For the 9-month period ended March 31, 2017, NanoXplore purchased \$320 graphite from Mason Graphite.
- Purchase of NanoXplore’s thinned graphite technology license by Mason Graphite: Mason Graphite signed a license transfer agreement for all the rights related to thinned graphite technology, developed by NanoXplore and protected by US9469542 patent for consideration of \$50,000/year and 2% royalty on sales of thinned graphite products. For the 9-month period ended March 31, 2017, NanoXplore received \$50,000 from Mason Graphite for maintenance of the license.

LEGAL PROCEEDINGS

To the knowledge of NanoXplore, there are no legal proceedings material to NanoXplore to which NanoXplore or a subsidiary of NanoXplore is a party or of which any of their respective properties are the subject matter, nor are any such proceedings known to NanoXplore to be contemplated.

MATERIAL CONTRACTS

Below is a list of material contracts entered into by NanoXplore within the two years before the date of this Filing Statement:

- Amalgamation Agreement between NanoXplore, Graniz and Newco dated as of August 11, 2017;
- Finder’s Fee Agreement between NanoXplore and 9093-0348 Québec Inc. dated as of April 19, 2017;
- Letter of Intent between NanoXplore Inc. and Graniz as of June 2, 2017;
- Engagement Letter between the Agent and NanoXplore dated as of May 24, 2017 and the Amendment to the Letter of Engagement dated as of June 6, 2017;

- Common share purchase agreement between NanoXplore and Two Carbon Inc. dated August 13, 2015; and
- Share Purchase Agreement between Jocelyn Aubin, Régent Aubin and 9334-7474 Québec (a wholly owned subsidiary of NanoXplore) dated as of June 17, 2016.

A copy of the above-mentioned contracts will be available for inspection at the head office of NanoXplore, at 25 Montpellier Blvd, Montréal, Québec, H4N 2G3, during ordinary business hours, until the Effective Date and for a period of thirty (30) days thereafter.

PART III - THE TRANSACTION

PRINCIPAL STEPS OF THE TRANSACTION

The Amalgamation is subject to the approval of the shareholders of each of Newco and NanoXplore pursuant to the QBCA. The receipt of all applicable shareholder approvals is a condition to the closing of the Transaction.

The Transaction constitutes an arm's length reverse takeover of Graniz within the meaning of Policy 5.2 and is subject to a number of conditions precedent, including the completion of the Private Placement described hereinafter and the receipt of all requisite regulatory, corporate and shareholder approvals, including that of the Exchange.

Prior to the Transaction, NanoXplore will complete the Reorganization pursuant to which its share capital will be converted on a 1 for 40.0667 basis.

Pursuant to the Transaction, Graniz shall proceed to a consolidation of its issued and outstanding common shares on the basis of one (1) post-consolidation common share for up to every fifteen (15) pre-consolidation common shares in order to reduce its outstanding shares to 1,412,939. Following the consolidation, Graniz shall cancel all options currently issued under its stock option plan and issue new options (to directors and officers of the Corporation exercisable at a price of \$0.45 per Graniz Share (post-consolidation) in order to bring the price in line with the expected market pricing. Of these new options, 53,335 will be considered reissued as they will be issued to the same directors with an exercise price lower than that of the original options.

Graniz shall also register a new wholly-owned subsidiary called Newco. Thereafter, NanoXplore and Newco will amalgamate to form Amalco, which shall continue as a wholly-owned subsidiary of Graniz. Each issued and outstanding Newco Share shall be converted into one fully paid Amalco Share and all of the issued and outstanding common shares in the share capital of NanoXplore shall be converted into Graniz Shares based on the Exchange Ratio, resulting in the issuance of up to approximately 56,210,252 common shares in the share capital of Graniz (after consolidation), at a deemed value of \$0.45 per common share for a total consideration of \$25,294,594.

Furthermore, outstanding debts of Graniz in an amount of up to \$365,000 at the Transaction date shall be reimbursed. An amount of \$340,000 shall be converted into 755,556 common shares in the share capital of Graniz, at a deemed value of \$0.45 per common share and \$25,000 reimbursed in cash.

Advisory fees shall be payable to certain advisors of Graniz and NanoXplore through the issuance of 115,556 Graniz Shares at a deemed price of \$0.45 per Graniz Shares and the issuance of 466,667 options of Graniz at an exercise price of \$0.45 per Graniz Shares.

Pursuant to the Transaction, the in-the-money existing options of NanoXplore will be converted into 694,981 Graniz Shares, at a deemed value of \$0.45 per common share and the out-the-money existing options of NanoXplore will be converted into 520,866 options of Graniz at an exercise price of \$0.45 per Graniz Shares.

Furthermore, pursuant to the Transaction, Graniz shall return the Mousseau Option to the owners of the Mousseau West Property, in consideration of which the outstanding debt and accrued interest relating to the Mousseau Option (approximately \$210,000) will be deemed forgiven without any other consideration to be paid.

Concurrently with the completion of the Transaction, NanoXplore will complete the Private Placement for a minimum of \$8,000,000 and a maximum of \$15,000,000 gross proceeds, subject to obtaining all requisite regulatory approval, including that of the Exchange.

Pursuant to the Private Placement, NanoXplore will issue a minimum of 17,777,778 Subscription Receipts and a maximum of 33,333,333 Subscription Receipts at a price of \$0.45 per Subscription Receipt. At closing of the Transaction, each Subscription Receipt will automatically be converted into one NanoXplore Share and one-half of one Warrant, which will immediately be exchanged, at no cost, for one Resulting Issuer Share and one-half of one Resulting Issuer Warrant exchanged, at no cost, for one common share and one half Warrant of the Resulting Issuer, after consolidation. Each Warrant will entitle the holder thereof to acquire one additional Resulting Issuer Share at a price of \$0.70 for a period of 24 months from the closing date. The Resulting Issuer will use the proceeds of the Private Placement to fund its working capital and its commercial and engineering activities. The conversion of the Subscription Receipts issued under the Private Placement is subject to, and will occur concurrently with, the completion of the Transaction.

Under the terms of the Engagement Letter, the Agent has been appointed to act as agent in connection with the concurrent Private Placement on a "best efforts" basis. The Agent will receive an aggregate cash fee equal to 7% of the gross proceeds of the Private Placement and a number of Broker Warrants equal to 7% of the number of Subscription Receipts issued pursuant to the Private Placement, except in respect of sales to the President's List Subscribers for which NanoXplore agreed to pay a cash fee equal to 3.5% of the gross proceeds in respect of Subscription Receipts subscribed for by President's List Subscribers and to issue that number of Broker Warrants equal to 3.5% of the Subscription Receipts issued to President's List Subscribers. Each Broker Warrant will be exercisable to purchase one Broker Warrant Share at a price of \$0.45 per Broker Warrant Share at any time in whole or from time to time in part for a period of 24 months following the closing of the Transaction. The Broker Warrants will be exercisable following the satisfaction of the Release Conditions. Upon completion of the Transaction, each Broker Warrant will be exchanged for a broker warrant of the Resulting Issuer.

EFFECT OF THE AMALGAMATION

Ownership and Structure of the Resulting Issuer

The effect of the Amalgamation is that: (i) NanoXplore and Newco will amalgamate to form Amalco which will continue as a wholly-owned subsidiary of Graniz, as a result of which all of the property and assets of NanoXplore will become indirectly held by Graniz; and (ii) existing shareholders of NanoXplore will continue to hold an indirect interest in the property and assets of Amalco through the Resulting Issuer Shares which will be issued to them as part of the Transaction. The Amalgamation does not change any of the assets, properties, rights, liabilities, obligations, business or operations of any of Graniz, Newco or NanoXplore on a consolidated basis.

REASONS FOR THE TRANSACTION

The business combination between NanoXplore and Graniz pursuant to the Amalgamation Agreement was negotiated by NanoXplore and Graniz on the basis that the shareholders of NanoXplore and Graniz would benefit from combining the interests of NanoXplore and Graniz for the purposes of operating their respective businesses, and to create a larger more diverse company with greater efficiency. NanoXplore and Graniz believe that the Transaction is in the best interests of their respective shareholders. This conclusion was reached after due consideration and review and is based on the belief that the development, support and execution of NanoXplore's business strategy through a combined public entity will provide the best prospect for the creation of durable, long-term value for all shareholders. Additional drivers for proceeding with the Transaction include the fact that it will result in a larger, publicly-traded company with greater market capitalization, a business with current operations which is targeting a potentially high-growth sector and a growth strategy which both NanoXplore and Graniz believe has a greater likelihood of attracting the requisite financing and succeeding overall.

In determining the number of Resulting Issuer Shares to be issued in exchange for the NanoXplore Shares, the NanoXplore Board and Graniz Board, respectively, considered a number of relevant factors including the last round of private placement conducted by NanoXplore, potential market value, financial and other assets, liabilities, contingent liabilities and risks as applicable to each of NanoXplore and Graniz.

REGULATORY APPROVALS

In addition to the shareholder approvals described above, certain regulatory approvals will also be required to complete the Transaction. It is a condition of the Transaction that the Transaction be approved by the Exchange.

Final or conditional approvals have not yet been given by the regulatory authorities or shareholders referred to above. Neither NanoXplore nor Graniz can provide any assurances that such approvals will be obtained.

FEES AND EXPENSES

In accordance with the Amalgamation Agreement, all expenses incurred in connection with the Transaction and the transactions contemplated thereby shall be paid by the party incurring the same.

EFFECTIVE DATE AND CONDITIONS

If all conditions disclosed below are met, it is anticipated that the Transaction will be completed on or about August 31, 2017.

In order for the Transaction contemplated by the Amalgamation Agreement to be completed, certain conditions must have been satisfied (or in certain cases waived) on or before the Effective Date including the conditions summarized below:

Mutual Conditions:

- (a) the Amalgamation shall have received the requisite approvals by NanoXplore Shareholders;
- (b) the Amalgamation Agreement shall have been entered into and not have been terminated;

- (c) all applicable NanoXplore Shareholders shall have entered into escrow agreements as required by the Exchange as a condition for its approval of the Transaction;
- (d) all applicable regulatory approvals shall have been obtained; and
- (e) no order or decree restraining or enjoining the consummation of the transactions contemplated by the Amalgamation Agreement shall be in force;

Additional Conditions in Favour of NanoXplore:

- (a) no Graniz Material Adverse Change shall have occurred between June 7, 2017 and the Effective Date;
- (b) each of the acts of Graniz to be performed on or before the Effective Date shall have been performed, and all representations, warranties, covenants and agreements of Graniz contained in the Amalgamation Agreement shall be true and correct as of the Effective Date (other than as a result of any changes in the total number of issued and outstanding securities of Graniz);
- (c) the Graniz Board shall have adopted all necessary resolutions to permit the consummation of the Amalgamation;
- (d) the officers and directors of Graniz shall have each delivered irrevocable resignations to Graniz effective upon the completion of the Amalgamation;
- (e) Graniz Shareholders shall have approved the return of the Mousseau Option to its owners and the corresponding debt and accrued interest shall have been forgiven;
- (f) Graniz Shareholders shall have approved the conversion of Graniz \$340,000 debt into Graniz Shares; and
- (g) Graniz Shareholders shall have approved Graniz's name change to NanoXplore Inc.

Additional Conditions in Favour of Graniz:

- (a) no NanoXplore Material Adverse Change shall have occurred between June 7, 2017 and the Effective Date;
- (b) each of the acts of NanoXplore to be performed on or before the Effective Date shall have been performed, and all representations and warranties, covenants and agreements of NanoXplore contained in the Amalgamation Agreement shall be true and correct as of the Effective Date;
- (c) the NanoXplore Board shall have adopted all necessary resolutions to permit the consummation of the Reorganization, the Amalgamation, the Private Placement and all related matters;
- (d) the NanoXplore Shareholders Agreement shall terminate in accordance with its terms, or be terminated; and
- (e) the Reorganization and the Private Placement for a minimum of \$8,000,000 shall have been completed;

The full particulars of the Transaction are contained in the Amalgamation Agreement, a copy of which will be available for inspection at the head office of NanoXplore, 25 Montpellier Blvd, Montréal, Québec, H4N 2G3, during ordinary business hours, until the Effective Date and for a period of thirty (30) days thereafter.

AMALGAMATION AGREEMENT

The steps of the Amalgamation, as set out in the Amalgamation Agreement, are summarized under the heading "*The Transaction - Principal Steps of the Transaction*". The general description of the Amalgamation Agreement which follows is qualified in its entirety by reference to the full text of the Amalgamation Agreement.

General

Graniz, Newco and NanoXplore will enter into the Amalgamation Agreement, pursuant to which Graniz and NanoXplore provide representations and warranties to one another regarding certain customary commercial matters, including corporate, legal and other matters, relating to their respective affairs.

Under the Amalgamation Agreement, Graniz and NanoXplore have each agreed to use their commercially reasonable efforts to obtain the approval of their respective shareholders for the applicable aspects of the Transaction required to be approved by such shareholders. Graniz and NanoXplore have each also agreed to act in good faith and use their respective commercially reasonable efforts to satisfy the conditions to the Transaction set forth in the Amalgamation Agreement, all in accordance with the terms thereof.

Termination

The Amalgamation Agreement may be terminated at any time prior to the Effective Date, in the circumstances specified in the Amalgamation Agreement, including:

- (a) by mutual agreement in writing by Graniz and NanoXplore;
- (b) by NanoXplore if there is an Alternative Transaction Fee Event (as such term is defined under the Amalgamation Agreement) and NanoXplore has paid the Alternative Transaction Fee (as such term is defined under the Amalgamation Agreement) to Graniz;
- (c) by Graniz if there is a Termination Event (as such term is defined under the Amalgamation Agreement) and Graniz has paid the Termination Fee (as such term is defined under the Amalgamation Agreement) to NanoXplore;
- (d) upon written notice by Graniz at any time prior to the Effective Date, if any of the mutual conditions or conditions in favour of Graniz required to be satisfied under the Amalgamation Agreement have not been satisfied or waived to the extent permitted prior to the Effective Date;
- (e) upon written notice by NanoXplore at any time prior to the Effective Date, if any of the mutual conditions or conditions in favour of NanoXplore required to be satisfied under the Amalgamation Agreement have not been satisfied or waived to the extent permitted prior to the Effective Date; or
- (f) automatically, if the Transaction has not been completed on or before October 27, 2017

Amendment

At any time on or before the Effective Date, the Amalgamation Agreement may be amended by written agreement of the parties.

PART IV - INFORMATION CONCERNING THE RESULTING ISSUER

The following information is presented assuming completion of the Transaction, and is reflective of the projected business, financial and share capital position of the Resulting Issuer assuming the completion thereof. This section only includes information respecting the Resulting Issuer, on a consolidated basis, after the Transaction that is materially different from information provided earlier in this Filing Statement. See the various headings under "*Part I: Information Concerning Graniz*" and "*Part II: Information Concerning NanoXplore*" for additional information regarding Graniz and NanoXplore, respectively. See also the unaudited pro forma consolidated financial statements of the Resulting Issuer attached hereto as Schedule "C".

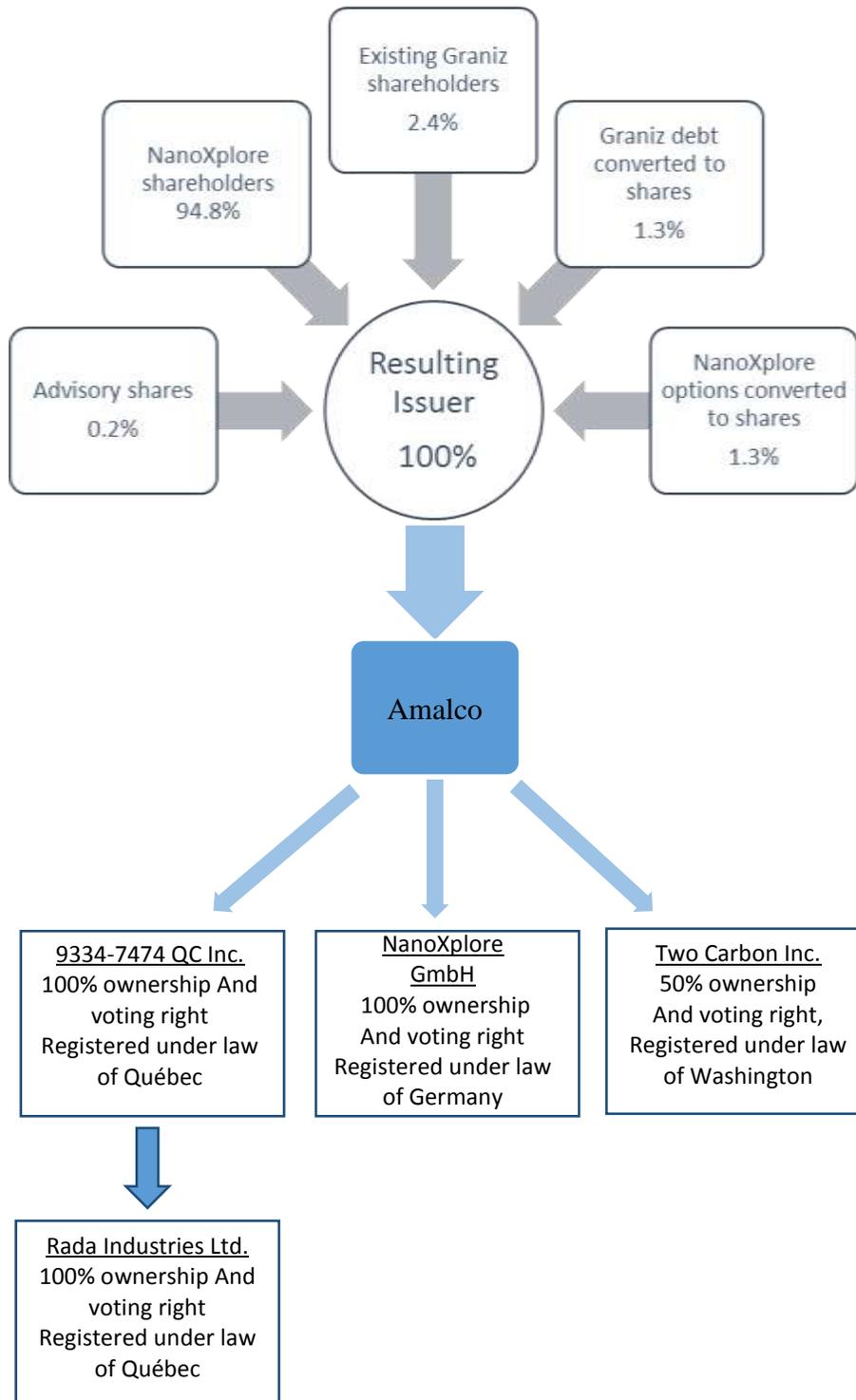
NAME AND INCORPORATION

Following the Transaction, the Resulting Issuer will continue to exist under the CBCA and change its name to NanoXplore Inc., and the registered and head offices of the Resulting Issuer will be located at 25 Montpellier Blvd, Montréal, Québec, H4N 2G3, Canada.

INTER-CORPORATE RELATIONSHIPS

The effect of the Amalgamation is that: (i) NanoXplore and Newco will amalgamate to form Amalco which will continue as a wholly-owned subsidiary of Graniz, as a result of which all of the property and assets of NanoXplore will become indirectly held by Graniz; and (ii) existing shareholders of NanoXplore will continue to hold an indirect interest in the property and assets of Amalco through the Resulting Issuer Shares which will be issued to them as part of the Transaction. The Amalgamation does not change any of the assets, properties, rights, liabilities, obligations, business or operations of any of Graniz, Newco or NanoXplore on a consolidated basis.

Upon completion of the Transaction as contemplated hereby, and subject to the assumptions set forth herein, the corporate organization chart for the Resulting Issuer is expected to be as follows:



A chart reflecting the proposed structure of the Resulting Issuer after giving effect to the above-noted matters is set forth below:

	<u>Number of shares</u>
Opening balance - Graniz (post-consolidation)	1,412,939
Shares issued to NanoXplore shareholders as part of the Reverse Takeover	56,210,252
Shares issued as settlement of the Graniz outstanding debts	755,556
Shares issued to advisors	115,556
Shares issued for the conversion of in-the-money existing NanoXplore options	694,981
Shares issued under the Private Placement's minimum offering	<u>17,777,778</u>
Total assuming the minimum offering	76,967,062
Additional shares issued under the Private Placement's maximum offering	<u>15,555,555</u>
Total assuming the maximum offering	92,522,617

Upon completion of the Transaction and before giving effect to the Private Placement, the Resulting Issuer will have 59,189,284 Resulting Issuer Shares issued and outstanding.

PRIVATE PLACEMENT

NanoXplore is expected to complete the Private Placement on August 2, 2017. The Private Placement involves the following:

- (a) A minimum of 17,777,778 Subscription Receipts and a maximum of 33,333,333 Subscription Receipts will be issued by NanoXplore at a price of \$0.45 per Subscription Receipt;
- (b) upon closing of the Private Placement, the Escrowed Funds will be deposited with the Subscription Receipt Agent pursuant to the terms of the Subscription Receipt Agreement. The Escrowed Funds, together with all interest earned thereon, will only be released to the Resulting Issuer if the Release Conditions are satisfied on or prior to the Release Deadline, all in accordance with the terms of the Subscription Receipt Agreement;
- (c) following satisfaction of the Release Conditions on or prior to the Release Deadline, each Subscription Receipt will be automatically converted into one NanoXplore Share and one-half of one Warrant, which will immediately be exchanged for one Resulting Issuer Share and one-half of one Resulting Issuer Warrant, in accordance with the terms of the Subscription Receipt Agreement, without any further action or formality on the part of the holder thereof. Each Warrant will entitle the holder thereof to acquire one additional Resulting Issuer Share at a price of \$0.70 for a period of 24 months from the closing date of the Private Placement;
- (d) each Resulting Issuer Share shall be freely tradable;
- (e) the Agent will receive a commission paid in cash equivalent to 7% of the aggregate gross proceeds raised under the Private Placement, except in respect of sales to a maximum aggregate subscription amount of \$1 million made to President's List Subscribers for which the Agent will receive a cash fee equal to 3.5% of the gross proceeds in respect of Subscription Receipts subscribed for by President's List Subscribers;

- (f) the Agent will also be granted that number of Broker Warrants equal to 7% of the aggregate gross proceeds raised under the Private Placement, except in respect of sales to a maximum aggregate subscription amount of \$1 million made to President’s List Subscribers for which the Agent will receive that number of Broker Warrants equal to 3.5% of the Subscription Receipts issued to President’s List Subscribers. Each Broker Warrant will be exercisable to purchase Broker Warrant Share at a price of \$0.45 per Broker Warrant Share at any time in whole or from time to time in part for a period of 24 months following the closing of the Transaction; and
- (g) if either the Release Conditions have not been satisfied on or before the Release Deadline, or Graniz and NanoXplore, prior to the Release Deadline, have provided notice to the Subscription Receipt Agent that the Amalgamation shall not occur, on the date of either such event, the Subscription Receipts shall be automatically cancelled without any further action or formality and the Subscription Receipt Agent shall refund the aggregate proceeds raised from same to holders of such Subscription Receipts as soon as possible thereafter, all in accordance with the terms and conditions of the Subscription Receipt Agreement.

Shareholders	Minimum Private Placement Scenario		Maximum Private Placement Scenario	
	Number of Resulting Issuer Shares	% of Resulting Issuer on a Pro forma Basis	Number of Resulting Issuer Shares	% of Resulting Issuer on a Pro forma Basis
Existing Graniz Shareholders	1,412,939	1.8%	1,412,939	1.5%
NanoXplore Shareholders	56,210,252	73.0%	56,210,252	60.8%
Advisory Shares	115,556	0.2%	115,556	0.1%
Graniz Debt Converted to Shares	755,556	1.0%	755,556	0.8%
NanoXplore Options Converted to Shares	694,981	0.9%	694,981	0.8%
Subscribers to Private Placement	17,777,778	23.1%	33,333,333	36.0%

The Resulting Issuer will be a holding company with its principal asset being all of the outstanding shares of Amalco. The Resulting Issuer will continue to carry on the business of NanoXplore as described above under the heading “*Part II- Information Concerning NanoXplore - Business of NanoXplore*”.

NARRATIVE DESCRIPTION OF THE BUSINESS

Stated Business Objectives

The Amalgamation will enable NanoXplore to have access to financing necessary to continue its growth. The Resulting Issuer’s business will be focused on downstream acquisition of plastic forming businesses and large scale production of graphene. Acquisitions enable NanoXplore to benefit from existing relationship of acquired companies with their customers to rapidly introduce graphene to large volume products. This reduces the time to market for graphene enabled products. In parallel, large scale production of graphene results into cost reduction in production and accelerate the market acceptance. Both these objectives require access to capital and is limited in private market.

Milestones

Depending on the funds available for acquisitions (between \$1,500,000 and \$8,000,000), NanoXplore is expected to complete acquisitions during the current year after the completion of the Transaction. As at the date of the Filing Statement, no target has been identified for an acquisition.

NanoXplore plans to invest further into its facilities to reduce the production costs and increase the production throughout, which should happen within 18 months after the completion of the Transaction. Furthermore, NanoXplore plans to engage with an arm's length engineering firm to complete the feasibility study of its large scale graphene production facility (estimated cost: \$1,000,000). The final report should be ready within 18 months after the completion of the Transaction.

The Resulting Issuer has no intention of retaining ownership of Graniz's Troilus South mining property and will try to sell the mining property.

DESCRIPTION OF SECURITIES

Following completion of the Transaction, the securities of the Resulting Issuer will have the same characteristics as those of Graniz. The Resulting Issuer will be authorized to issue an unlimited number of Resulting Issuer Shares. Holders of Resulting Issuer Shares will be entitled to receive notice of any meetings of shareholders of the Resulting Issuer, and to attend and to cast one vote per Resulting Issuer Share at all such meetings. Holders of Resulting Issuer Shares will not have cumulative voting rights with respect to the election of directors and, accordingly, holders of a majority of the Resulting Issuer Shares entitled to vote in any election of directors may elect all directors standing for election. Holders of Resulting Issuer Shares will be entitled to receive on a pro rata basis such dividends on the Resulting Issuer Shares, if any, as and when declared by the board of directors of the Resulting Issuer at its discretion from funds legally available therefor, and upon the liquidation, dissolution or winding up of the Resulting Issuer will be entitled to receive on a pro rata basis the net assets of the Resulting Issuer after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a pro rata basis with the holders of Resulting Issuer Shares with respect to dividends or liquidation. The Resulting Issuer Shares will not carry any pre-emptive, subscription, redemption or conversion rights, nor will they contain any sinking or purchase fund provisions.

PRO FORMA CONSOLIDATED CAPITALIZATION

The following table sets forth the capitalization of the Resulting Issuer as at March 31, 2017 assuming completion of the Transaction, based on the unaudited pro forma consolidated financial statements of the Resulting Issuer attached to this Filing Statement as Schedule "C". See also "*Escrowed Securities*" below.

Designation of Security	Amount Authorized	Assuming minimum subscriptions ⁽¹⁾		Assuming maximum subscriptions ⁽¹⁾	
		Number of Security	\$	Number of Security	\$
Class A common shares	Unlimited	76,967,062	\$14,039,498	92,522,617	\$20,403,394
Operating loan	\$350,000	N/A	\$205,000	N/A	\$205,000
Current and non-current long-term debt	N/A	N/A	\$2,201,206	N/A	\$2,201,206

As at March 31, 2017, the consolidated deficit is at \$5,356,909 as per pro-forma financial statements.

Designation of Security	Amount Authorized	Assuming minimum subscriptions ⁽¹⁾		Assuming maximum subscriptions ⁽¹⁾	
		Number of Security	%	Number of Security	% of total
Undiluted Resulting Issuer Shares (\$0.45/share)	Unlimited	76,967,062	88	92,522,617	82
Resulting Issuer Options (\$0.45/option)	N/A	1,008,627	1	1,008,627	1
Resulting Issuer Broker warrants (\$0.45/warrant)	N/A	1,244,444	1	2,333,333	2
Resulting Issuer Warrants (\$0.70/warrant)	N/A	8,888,889	10	16,666,667	15
Fully diluted Resulting Issuer Shares (\$0.45/share)	Unlimited	88,109,022	100	112,531,244	100

⁽¹⁾ See “Part III: Information Concerning the Resulting Issuer - Private Placement”.

AVAILABLE FUNDS AND PRINCIPAL PURPOSES

Available funds

Following the Transaction, it is expected that the Resulting Issuer will have funds available as set forth below, based upon the current financial position of NanoXplore:

Source	Assuming minimum subscriptions ⁽¹⁾	Assuming maximum subscriptions ⁽¹⁾
Estimated working capital of NanoXplore and Graniz as of July 31, 2017	\$300,000	\$300,000
Net proceeds from Private Placement	\$7,303,000	\$13,805,000
Less expenses of the Transaction	\$127,500	\$127,500
Total available funds	\$7,475,500	\$13,977,500

⁽¹⁾ See “Part III: Information Concerning the Resulting Issuer - Private Placement”.

Principal Purposes

The primary purposes of the Transaction are to obtain additional equity capital, create a public market for the NanoXplore Shares and facilitate future access to financial opportunities for the Resulting Issuer. It is expected that the Resulting Issuer will use the total funds available set forth above for the purposes described below:

	Assuming minimum subscriptions ⁽¹⁾	Assuming maximum subscriptions ⁽¹⁾
CAPEX ⁽²⁾	\$670,000	\$670,000
Working capital <ul style="list-style-type: none"> • General and administration expenses • Research and development expenses • Selling and marketing expenses • Other expenses 	\$1,821,000 \$558,000 \$398,000 \$1,528,500	\$1,823,000 \$558,000 \$398,000 \$1,528,500
Engineering and design of large scale graphene production facility	\$1,000,000	\$1,000,000
Acquisitions ⁽³⁾	\$1,500,000	\$8,000,000
Total	\$7,475,500	\$13,977,500

(1) See “Part III: Information Concerning the Resulting Issuer – Private Placement”.

(2) CAPEX would mainly consist of production equipment.

(3) As at the date of the Filing Statement, no target has been identified for an acquisition.

See “Part III: Information Concerning the Resulting Issuer - Available Funds”. Based on current projections, the Resulting Issuer’s working capital available for funding ongoing operations and the execution of its growth strategy is expected to meet its expenses for a minimum period of 12 months commencing immediately after the completion of the Transaction.

Notwithstanding the proposed uses of available funds discussed above, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary. It is difficult, at this time, to definitively project the total funds necessary to successfully execute all elements of the Resulting Issuer’s business strategy. For these reasons, management of Graniz and NanoXplore consider it to be in the best interests of the Resulting Issuer and its shareholders to afford management a reasonable degree of flexibility as to how the funds are employed among the uses identified above, or for other purposes, as the need arises. As such, the above uses of available funds should be considered estimates. See “*Cautionary Note regarding Forward- Looking Statements*”.

Dividends

No dividends on the Graniz Shares have been paid by Graniz to date. Payment of any future dividends following completion of the Transaction will be at the discretion of the board of directors of the Resulting Issuer after taking into account many factors, including the Resulting Issuer’s operating results, financial condition and current and anticipated cash needs.

PRINCIPAL HOLDERS OF VOTING SECURITIES POST-TRANSACTION

To the knowledge of the directors and officers of NanoXplore and Graniz, upon the completion of the Transaction as described herein, no person will beneficially own, directly or indirectly, or exercise control or direction over, shares carrying more than 10% of voting rights attached to each class of the then outstanding Resulting Issuer Shares other than as set forth below:

Shareholder	Number of Resulting Issuer Shares ⁽³⁾	% of Resulting Shares assuming minimum subscription under the Private Placement	% of Resulting Shares assuming maximum subscription under the Private Placement
Mason Graphite ⁽¹⁾	20,471,121	27%	22%
Soroush Nazarpour ⁽²⁾	16,063,258	21%	17%

(1) A corporation continued under the CBCA and having its head office in Laval, Québec.

(2) President and CEO of Resulting Issuer, from Ste-Thérèse, Québec.

(3) On a fully-diluted basis, Mason Graphite will hold 21,582,232 Resulting Issuer Shares (24% assuming the minimum subscription and 19% assuming the maximum subscription) and Mr. Soroush Nazarpour will hold 16,063,258 Resulting Issuer Shares (18% assuming the minimum subscription and 14% assuming the maximum subscription).

DIRECTORS AND OFFICERS

The following chart sets forth the name, municipality of residence, proposed position with the Resulting Issuer and principal occupation during the prior five years of each individual who is proposed to be a director and executive officer of the Resulting Issuer following the Transaction, and the number of Resulting Issuer Shares anticipated to be owned by each of such individuals immediately following the Transaction. Each director of the Resulting Issuer will hold office until his successor is elected at the next annual meeting of the Resulting Issuer, or any adjournment thereof, or until his successor is elected or appointed. Assuming completion of the Transaction as described herein, the directors and officers as a group are anticipated to beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of 21,311,497 Resulting Issuer Shares (representing 28% of the issued and outstanding Resulting Issuer Shares assuming the minimum subscription and 23% assuming the maximum subscription).

Name, Age and Municipality of Residence ⁽¹⁾	Proposed Positions to be Held	Director/ Officer Since	Principal Occupation During the Preceding Five Years	Resulting Issuer Shares to be Held ⁽²⁾ ⁽⁴⁾	Resulting Issuer Shares to be Held ⁽³⁾ ⁽⁴⁾
Soroush Nazarpour Age 31, Ste-Thérèse	President, CEO and Director	2011	President and CEO, NanoXplore	16,063,258 (20.9%)	16,063,258 (17.4%)
Paul Higgins Age 58, Montréal	Chief Operating Officer	2014	Chief Operating Officer, NanoXplore Business Coach, YES Montréal	4,043,248 (5.3%)	4,043,248 (4.4%)
Luc Veilleux Age 50, Blainville	Chief Financial Officer	2014	Chief Financial Officer, NanoXplore Chief Financial Officer, Mason Graphite President, Maxi Canada Inc.	91,445 (0.1%)	91,445 (0.1%)
Catherine Frigon Age 52, Montréal	Vice President and General Counsel, Corporate Secretary	2016	Vice President and Legal Counsel, NanoXplore Senior Legal Counsel, Bombardier Legal Director, Alstom	Nil	Nil

Francis Nedvidek Age 59, Mainz, Germany	Managing Director of NanoXplore GmbH	2015	Consultant and CEO, Cube Optics AG	36,578 (0.04%)	36,578 (0.04%)
Markus Hutnak Age 51, Santa Rosa, U.S.	President and CEO of Two Carbon Inc.	2015	Manager, Buff Inc Manager, Farbank Director, National Geographic Society	Nil	Nil
Benoit Gascon Age 58, Montréal	Director	2014	President and CEO, Mason Graphite	18,289 (0.02%)	18,289 (0.02%)
Cameron Harris Age 56, Toronto	Director	2015	President, Canadian Engineering Associate Senior Vice President, SNC-Lavalin Senior Manager and Head of Mining Industry, Accenture	1,040,390 (1.4%)	1,040,390 (1.1%)
Denis Labrecque Age 73, Trois-Rivières	Director	2015	Chairman, Norcap Ltd	18,289 (0.02%)	18,289 (0.02%)

- (1) Jacques Poulin, from St-Lambert, was director from March 2015 to June 2016 and Serge Depatie, from Montréal, was director from February 2014 to January 2015 and officer from February 2014 to March 2015.
- (2) Assuming minimum subscription under the Private Placement.
- (3) Assuming maximum subscription under the Private Placement.
- (4) As a group, directors and officers will own 21,311,397 shares (28% assuming the minimum financing and 23% assuming the maximum financing)

The following is a brief description of each of the proposed executive officers and directors of the Resulting Issuer following the completion of the Transaction.

Mr. Benoit Gascon, CPA, CA, the CEO of Mason Graphite, has over 20 years of experience in the Graphite & Carbon industries. He was the CEO of Stratmin Graphite which operates the Lac-des-Iles deposit; one of North America's only producing graphite mines. He was responsible for negotiating the complete take-over of Stratmin Graphite by Imerys SA, a world leader in Industrial Minerals, to form Timcal Graphite & Carbon.

Dr. Cameron Harris is the President of Canadian Engineering Associates, an engineering consultant that provides services to the global mining industry. He is a former Senior Vice President and General Manager at SNC-Lavalin, and former head of the Mining Industry Practice for North America at Accenture. He earned a PhD in Metallurgy from Imperial College in the UK. He has held a wide range of operational, technical and executive positions at world leading companies such as Noranda, Kvaerner, and Worley Parsons. Dr. Harris has been a Director for Cansolv Technology Inc. and has been previously involved in nano-materials production. He is widely published, has been symposium organizer and chair for technical conferences, and is a Distinguished Lecturer for the Canadian Institute of Mining, Metallurgy and Petroleum (CIM), and a past Director of the Sustainable Chemistry Alliance (SCA).

Mr. Denis Labrecque is the former President of NorCap Canada Ltd., and is a Special Advisor to the President at Aliston Capital and Advisor to Keira Capital Partners Inc. Mr. Labrecque owned and successfully operated a diversified group of manufacturing companies in Canada and United States for nearly 20 years. Since 1990, he has acted as an advisor in the mid-market Merger and Acquisition business and realized some 40 transactions totalling more than \$2 billion in value with manufacturing, consumer products, distribution, utility, and services companies. His educational qualifications include a Bachelor's of Business Administration, Major in Finance from *Université du Québec à Trois-Rivières* and Electromechanical Engineering (Instrumentation) from Devry Institute of Toronto.

Dr. Soroush Nazarpour (PhD, Nanotechnology) is President & CEO of NanoXplore since 2011. Over the last five years he has built a unique advanced material company based upon graphene, moving NanoXplore from lab bench fabrication of powder, to pellet masterbatches of graphene-enhanced polymers, to blow and injection molded products in real world. His current focus is on the development of scalable production processes to make available abundant and affordable graphene materials, and the integration of graphene into industrial supply chains. Dr. Nazarpour has extensive experience in advanced carbon nanomaterials, device physics, materials processing and integration, and is an acknowledged expert in the field of graphene. He is co-author of a new graphene book, "Graphene technology: from laboratory to fabrication" published by Wiley & Co. Dr. Nazarpour, as an employee, will be fully devoted to the Resulting Issuer and he has entered into a non-competition, non-solicitation and confidentiality agreement.

Mr. Luc Veilleux, CPA, CA, is the Chief Financial Officer of NanoXplore and Executive Vice President, Chief Financial Officer, and Corporate Secretary of Mason Graphite, and has over 20 years of experience in the mining and manufacturing industries including eight years at Timcal in the roles of Chief Financial Officer, COO and Vice-President of Finance (North America), and Controller for the Lac-des-Iles graphite mine. Mr. Veilleux, as an independent contractor, will devote about 60% of his time to his functions with the Resulting Issuer.

Mr. Paul Higgins has over 30 years' experience in executive management, business to business marketing and business development, systems engineering, and project and subcontract management, in the advanced materials, aerospace, telecommunication, and photonics sectors, in both large, world class corporations (Lockheed Martin, Unisys, Nortel, Emerson) and start-up ventures (Silk Displays, DSI Datotech, Lumenon Innovative Lightwave Technology). Mr. Higgins, as an employee, will be fully devoted to the Resulting issuer and he has entered into a non-competition, non-solicitation and confidentiality agreement.

Dr. Francis Nedvidek (PhD Laser Physics, PEng Ontario) is Managing Director of NanoXplore GmbH, and has over 30 years' experience in technology innovation, product and market development, sales and executive management. After 10 years as Chief Executive Officer of Cube Optics AG, a microinjection optics company, he oversaw its successful acquisition by HUBER+SUHNER in 2014. Dr. Nedvidek has held executive positions with corporations in Canada, the United States and Europe including CEO at Photnitech Inc., VP Marketing & Sales at Resonance Photonics Inc., VP Marketing at Von Roll Isola Ltd., and Director, International Marketing & Sales at Leica Optronics Group. Mr. Nedvidek, as an employee, will be fully devoted to NanoXplore GmbH and has entered into a confidentiality agreement.

Mr. Markus Hutnak (MBA Marketing) is CEO of Two Carbon Inc. and an outdoor product innovator. His product initiatives have been introduced through many world-class brands including The North Face, the National Geographic Society, Ralph Lauren, Mountain Hardwear, and SAKS Incorporated. His extensive wholesale and retail background give him expertise throughout the entire product development, marketing, and sales process and he is well versed in the functional requirements and real-world application of fabric, apparel, equipment and technology. Mr. Hutnak has held numerous

key product development and marketing positions with world leading brands including Director of Licensing for Outdoor Apparel and Equipment at National Geographic Society, Product Manager for Ruff Hewn at Saks Incorporated, and Product Director for Outerwear and Snowsports at The North Face. Mr. Hutnak, as an independent contractor, will devote about 50% of his time to his functions with Two Carbon Inc. and has entered into a confidentiality agreement.

With extensive experience as Senior Legal Services Manager and Executive Committee Member of large and medium-sized corporations operating in Canada and abroad, Ms. Catherine Frigon, LL.B., MBA, has a broad expertise in leading corporate affairs and managing all legal aspects pertaining to corporations, business operations, and compliance with business/industry requirements. Ms. Frigon has a solid track record in negotiations of corporate agreements/government contracts and mergers/acquisitions, as well as negotiations for contracts with institutional/private clients and vendors. Prior to joining NanoXplore, Ms. Frigon held executive positions such as Vice President and Corporate Secretary at Leroux Steel Inc., Associate General Counsel at ACE Aviation Holdings, General Counsel and Assistant Corporate Secretary at Hartco Income Fund, Legal Director, Hydro North America at Alstom Renewable Power Canada Inc., and Senior Legal Counsel at Bombardier Business Aircraft. Ms. Frigon, as an employee, will be fully devoted to the Resulting Issuer and she has entered into a confidentiality agreement.

Other Reporting Issuer Experience

The following table sets out the proposed directors, officers and promoters of the Resulting Issuer that are, or have been within the last five years, directors, officers or promoters of other reporting issuers:

Name	Name and Jurisdiction of Reporting Issuer	Name of Trading Market	Position	From	To
Benoit Gascon	Mason Graphite, Québec	LLG-TSX:V	President and CEO	June 2012	Cont.
Cameron Harris	SNC-Lavalin, Québec	SNC-TSX	SVP and GM North America West	June 2015	November 2016
Luc Veilleux	Mason Graphite, Québec	LLG-TSX:V	Chief Financial Officer	December 2012	Cont.

Committees of the Board of Directors

It is anticipated that following the conclusion of the Transaction, the only standing committees of the board of directors of the Resulting Issuer will be the (i) Audit Committee, which is expected to be comprised of Mr. Benoit Gascon, Mr. Cameron Harris and Mr. Denis Labrecque, and the (ii) Compensation Committee which is expected to be comprised of Mr. Benoit Gascon and Mr. Cameron Harris.

Corporate Cease Trade Orders or Bankruptcies

To the knowledge of Graniz and NanoXplore:

- (a) none of the individuals who are proposed to serve as directors or officers of the Resulting Issuer following the Transaction (the "Proposed Principals"), within 10 years before the date of this Filing Statement, has been, a director, officer or promoter of any person or company that, while that person was acting in that capacity

- (i) was the subject of a cease trade or similar order, or an order that denied the other issuer access to any exemptions under applicable securities law, for a period of more than 30 consecutive days; or
 - (ii) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;
- (b) none of the Proposed Principals have been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or have entered into a settlement agreement with a securities regulatory authority; or been subject to any other penalties or sanctions imposed by a court or regulatory body, including a self-regulatory body, that would be likely to be considered important to a reasonable security holder making a decision about the Transaction; and
- (c) none of the Proposed Principals, or a personal holding company of any such persons has, within the 10 years before the date of this Filing Statement,
- (i) become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or
 - (ii) been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or promoter.

Conflicts of Interest

Some of the individuals proposed for appointment as directors or officers of the Resulting Issuer upon the completion of the Transaction are also directors, officers and/or promoters of other reporting and non-reporting issuers. Otherwise, as of the date of this Filing Statement and to the knowledge of management of Graniz and the management of NanoXplore, no existing or potential material conflicts of interest exist presently or will exist between the Resulting Issuer or a subsidiary of the Resulting Issuer and any proposed director, officer or promoter of the Resulting Issuer or a subsidiary of the Resulting Issuer following completion of the Transaction, other than as disclosed elsewhere in this Filing Statement. See "*Part III: Information Concerning the Resulting Issuer - Risk Factors*". Conflicts, if any, will be subject to the procedures and remedies prescribed by the QBCA, CBCA, the Exchange and applicable securities law, regulations and policies.

Stock Options

The Stock Option Plan following completion of the Amalgamation shall remain unchanged from the version last approved by shareholders of Graniz on April 3, 2008. Up to 10% of the total number of Graniz Shares issued and outstanding from time to time is currently reserved for issue upon the exercise of options granted pursuant to the Stock Option Plan. For further details concerning the Stock Option Plan, please refer to "*Part I: Information Concerning Graniz - Description of Securities - Stock Option Plan*".

Immediately prior to the completion of the Amalgamation, the in-the-money existing options of NanoXplore will be converted into 694,981 common shares in the share capital of the Resulting Issuer, at a deemed value of \$0.45 per common share and the out-the-money existing options of NanoXplore

will be converted in 520,866 options of the Resulting Issuer at an exercise price of \$0.45 per common share.

Immediately prior to the completion of the Amalgamation, it is anticipated that an aggregate of 141,293 Graniz options and 520,866 NanoXplore options will be outstanding under the existing stock option plans of Graniz and NanoXplore, respectively. Pursuant to the Transaction, 466,667 options will be issued to advisors of Graniz and NanoXplore and 200,000 options will be issued to an officer of NanoXplore. Accordingly, immediately following the completion of the Transaction, it is anticipated that an aggregate of 6,367,880 Resulting Issuer Shares will remain reserved for future issuance of options. See also "*Part I: Information Concerning Graniz - Description of Securities - Stock Option Plan*".

EXECUTIVE COMPENSATION

Introduction

This compensation discussion and analysis describes and explains the proposed policies and practices of the Resulting Issuer with respect to the compensation of each of its Chief Executive Officer, the Chief Financial Officer and the three most highly compensated executive officers, in addition to the proposed Chief Executive Officer and Chief Executive Officer (together, the "**Resulting Issuer NEOs**").

Overview

The Resulting Issuer plans to develop compensation policies that will both align the interests of its personnel with those of shareholders and allow the Resulting Issuer to attract and retain the best people in an increasingly competitive marketplace. To do so, the Resulting Issuer recognizes that its compensation program must be flexible and able to adapt to as quickly as the sector in which the Resulting Issuer evolves.

The Resulting Issuer's proposed executive compensation program will consist of the following elements:

- (a) base salary and consulting fees;
- (b) short term incentive compensation comprised of objectives based and discretionary cash bonuses; and
- (c) long-term incentive compensation and stock options.

Compensation Components

Base Salaries and Consulting Fees

The base salary and consulting fees component is intended to provide a fixed level of competitive pay that is established at the time when an officer, employee or consultant joins the Resulting Issuer. The Resulting Issuer's board and/or compensation committee are expected to periodically review compensation levels to determine if adjustments are necessary.

Short-Term and Milestone-Based Incentive Compensation - Cash Bonuses

Discretionary cash bonuses may form a part of the overall compensation program for certain employees and service providers. Eligibility and the award of cash bonuses will be dependent on the achievement of:

- (a) corporate performance thresholds; and,
- (b) predetermined individual performances thresholds as well as the approval of the compensation committee and/or board of directors.

Long Term Incentive Compensation - Stock Options

In addition to the granting of stock options to key employees and services providers, the Resulting Issuer may also consider other long-term incentive programs to align interests and retain key personnel.

Role of Management in Determining Compensation

The CEO of the Resulting Issuer will have a role in designing all compensation and benefit plans and policies for the executive officers of the Resulting Issuer, other than the CEO, and will be expected to make recommendations to the compensation committee or board of directors as a whole.

Compensation of Named Executive Officers - Summary Compensation Table

The following tables sets out information concerning the proposed compensation to be paid by the Resulting Issuer to the Resulting Issuer NEOs for the first 12 months following the Transaction in accordance with the applicable preliminary employment/service agreements.

Table of compensation excluding compensation securities						
Name and Position	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites ⁽¹⁾ (\$)	Value of all other compensation (\$)	Total compensation (\$)
Soroush Nazarpour CEO	\$250,000	\$nil	\$nil	\$nil	\$nil	\$250,000
Luc Veilleux CFO	\$140,000	\$nil	\$nil	\$nil	\$nil	\$140,000
Paul Higgins COO	\$130,000	\$nil	\$nil	\$nil	\$nil	\$130,000
Francis Nedvidek Managing Director - NanoXplore GmbH	\$216,000	\$nil	\$nil	\$nil	\$nil	\$216,000
Catherine Frigon VP & General Counsel	\$125,000	\$nil	\$nil	\$nil	\$nil	\$125,000

(1) "Perquisites" means benefits that are not offered to all the employees and that, in aggregate, are greater than the following amounts for the financial year: a) \$15,000, if the total salary of the Named Executive Officer or Director does not exceed \$150,000; b) 10% of the Named Executive Officer's or Director's salary, if his total salary is greater than \$150,000 but less than \$500,000; c) \$50,000, if the Named Executive Officer's or Director's salary is \$500,000 or greater.

Compensation Securities							
Name and Position	Type of Compensation Security (1)(2)(3)	Number of Compensation Security, number of Underlying Securities, and Percentage of Class	Date of Issue or Grant	Issue, Conversion or Exercise Price (\$)	Closing Price of Security or Underlying Security on Date of Grant (\$)	Closing Price of Security or Underlying Security at Year End (\$)	Expiry Date
Soroush Nazarpour CEO	-	-	-	-	-	-	-
Luc Veilleux CFO	Options	200,000	Date of the Transaction	\$0.45	\$0.45	N/A	5 years after the Date of Transaction
Paul Higgins COO	-	-	-	-	-	-	-
Francis Nedvidek Managing Director - NanoXplore GmbH	-	-	-	-	-	-	-
Catherine Frigon VP & General Counsel	-	-	-	-	-	-	-

Termination and Change of Control-Based Compensation

None of the Resulting Issuer NEOs have change of control-based provisions included in their current compensation arrangements, other than as set forth below.

Name and Position	Yearly salary	Severance on Termination	Change of Control Bonus	Severance on Change of Control
Soroush Nazarpour President & CEO		12 months' salary	Nil	24 months base salary plus aggregate cash bonuses paid in the 24 months prior to the Change in Control in the event that the Change of Control is approved by the Board. Otherwise 24 months base fees plus aggregate cash bonuses paid in the 24 months prior to the Change in Control.
Luc Veilleux Chief Financial Officer		12 months' salary	Nil	24 months base salary plus aggregate cash bonuses paid in the 24 months prior to the Change in Control in the event that the Change of Control is approved by the Board. Otherwise 24 months base fees plus aggregate cash bonuses paid in the 24 months prior to the Change in Control.
Paul Higgins		6 months'	Nil	12 months base salary plus aggregate

Name and Position	Yearly salary	Severance on Termination	Change of Control Bonus	Severance on Change of Control
Chief Operating Officer		salary		cash bonuses paid in the 12 months prior to the Change in Control in the event that the Change of Control is approved by the Board. Otherwise 18 months base fees plus aggregate cash bonuses paid in the 18 months prior to the Change in Control.
Francis Nedvidek Managing Director NanoXplore GmbH		3 months' salary	Nil	Nil
Catherine Frigon VP & General Counsel		6 months' salary in the first 5 years, 12 month's salary after 5 years	Nil	Nil

INDEBTEDNESS OF DIRECTORS AND OFFICERS

None of the current or past directors, employees or executive officers of NanoXplore or Graniz, and none of the persons who are proposed to be directors, employees or executive officers of the Resulting Issuer following the completion of the Transaction, and none of the Associates of such persons, is or has been indebted to either Graniz or NanoXplore at any time during the most recently completed financial year of each of Graniz and NanoXplore, respectively, or will be indebted to the Resulting Issuer upon completion of the Transaction.

Furthermore, none of such persons were indebted to a third party during such period where their indebtedness was the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Graniz or NanoXplore.

OPTIONS TO PURCHASE SECURITIES

The table below presents, as of the date of this Filing Statement, the number of options to purchase securities (options and warrants) of the Resulting Issuer that will be aggregately held upon completion of the Transaction by different groups.

	Stock options/Warrants	Number of Resulting Issuer Shares Reserved under Stock Options/Warrants	Exercise Price per Resulting Issuer Share	Expiry Date
Proposed Officers of the Resulting Issuer ⁽¹⁾	440,400	N/A	\$0.45	January 2, 2022 and 5 years after the date of Transaction
Proposed Directors of the Resulting Issuer ⁽²⁾	240,399	N/A	\$0.45	May 2, 2022
Officers of all subsidiaries of the Resulting Issuer ⁽³⁾	N/A	N/A	N/A	N/A
Directors of all subsidiaries of the Resulting Issuer who are not also officers of these	N/A	N/A	N/A	N/A

	Stock options/ Warrants	Number of Resulting Issuer Shares Reserved under Stock Options/Warrants	Exercise Price per Resulting Issuer Share	Expiry Date
subsidiary				
Employees of the Resulting Issuer	40,067	N/A	\$0.45	January 2, 2022
Consultants of the Resulting Issuer	N/A	N/A	N/A	N/A
All other persons or companies, including any agent or underwriter	141,293	N/A	\$0.45	August 11, 2022

(1) Two officers: Catherine Frigon and Luc Veilleux

(2) Three directors: Benoît Gascon, Cameron Harris and Denis Labrecque

(3) Excluding individuals referred to above.

ESCROWED SECURITIES

To the knowledge of NanoXplore and Graniz, assuming completion of the Transaction, the following securities of the Resulting Issuer anticipated to be held by principals of the Resulting Issuer following the Effective Date will be held in escrow:

Shareholder Name & Municipality	Designation of Class	Before Giving Effect to the Transaction		After Giving Effect to the Transaction	
		Number of Shares Held in Escrow	% of Class	Number of Shares Held in Escrow	% of Class ⁽¹⁾
Soroush Nazarpour St-Thérèse	Class A	nil	0%	16,063,258	20.9%
Mason Graphite Laval	Class A	nil	0%	18,248,899 ⁽²⁾	24%
Paul Higgins Montréal	Class A	nil	0%	4,043,248	5.3%
Luc Veilleux Blainville	Class A	nil	0%	91,445	0.1%
Francis Nedvidek Mainz, Germany	Class A	Nil	0%	36,578	0.2%
Benoit Gascon Montréal	Class A	nil	0%	18,289	0.02%
Cameron Harris Toronto	Class A	nil	0%	1,040,390	1.4%
Denis Labrecque Trois-Rivières	Class A	nil	0%	18,289	0.02%

(1) Assuming minimum subscription under the Private Placement.

(2) Mason Graphite will subscribe for \$1,000,000 in the Private placement (2,222,223 Subscription Receipts). The Resulting Issuer Shares which Mason Graphite will receive in exchange for the Subscription Receipts will not be held in escrow, since Mason Graphite's participation represents less than 25% of the total Private Placement and the Private placement was announced simultaneously to the proposed Transaction.

- (3) The escrowed securities set forth in the table above will be held in escrow by TSX Trust Company, as escrow agent, pursuant to value security escrow agreements. Upon completion of the Transaction, the escrowed securities shall be released as to 10% immediately following the issuance of a final bulletin which evidences the final Exchange acceptance of the Transaction and 15% every 6 months thereafter.

For information relating to escrowed securities and the Subscription Receipt Agreement, see “*Part III: Information Concerning the Resulting Issuer - Private Placement*”.

SEED SHARE RESALE SECURITIES

Assuming completion of the Transaction, 438,935 in-the-money options of NanoXplore held by 9 individuals whom are not anticipated to be principals of the Resulting Issuer will be converted into 438,935 shares of the Resulting Issuer. These shares are anticipated to be subject to “seed share resale restrictions” in accordance with the policy 5.4 of the Exchange and as such, they will be held in escrow by TSX Trust Company, as escrow agent, pursuant to a pooling agreement. Upon completion of the Transaction, these escrowed shares shall be released as to 20% immediately following the issuance of a final bulletin which evidences the final Exchange acceptance of the Transaction and 20% every 3 months thereafter.

RISK FACTORS

The following risk factors should be carefully considered in evaluating Graniz, NanoXplore, the Resulting Issuer and Amalco. In the following description of Risk Factors, where applicable, references to risks to the business of NanoXplore include risks that the Resulting Issuer may face as its parent company. Risks that are specific to the business and operations of NanoXplore should be understood to include the impact that such risks may present to the Resulting Issuer. The risks presented below may not be all of the risks that NanoXplore and the Resulting Issuer may face. It is believed that these are the factors that could cause actual results to be different from expected and historical results. Other sections of this Filing Statement include additional factors that could have an effect on the business and financial performance of the business. The market in which NanoXplore currently competes is very competitive and changes rapidly. Sometimes new risks emerge and management may not be able to predict all of them, or be able to predict how they may cause actual results to be different from those contained in any forward-looking statements. You should not rely upon forward-looking statements as a prediction of future results.

An investment in the Resulting Issuer involves a significant degree of risk, including the following risks listed here in summary fashion related to *Small Revenue from Graphene Powder Direct Sale, Liquidity Concerns and Future Financings, Foreign Exchange, Licences and Permits, Laws and Regulations, Health and Safety and Environmental, Dependence on Management and Key Personnel, Uninsured Risks, Competition, Qualified Employees, Share Price Fluctuations, Conflicts of Interest, Energy Cost, and Litigation*.

The operations of NanoXplore are speculative due to the high-risk nature of its business, which is the acquisition, financing, technology and manufacturing. These risk factors could materially affect NanoXplore’s future operating results and could cause actual events to differ materially from those described in forward-looking information relating to NanoXplore.

Small Revenue from Graphene Powder Direct Sale

To date, NanoXplore has recorded small revenue from its graphene powder direct sale. There can be no assurance that significant losses will not occur in the near future or that the Resulting Issuer will be profitable in the future. NanoXplore’s operating expenses and capital expenditures may increase in subsequent years as consultants, personnel and equipment associated with sales and manufacturing of

graphene powder. NanoXplore expects to continue to incur losses unless and until such time as it enters into long term and large volume graphene supply agreement and generates sufficient revenues to fund its continuing operations. The development of NanoXplore's large volume graphene production facility will require the commitment of substantial resources to conduct time-consuming development. There can be no assurance that the Resulting Issuer will generate any revenues or achieve profitability.

Liquidity Concerns and Future Financings

The Resulting Issuer will require significant capital and operating expenditures in connection with the acquisition plan and large volume graphene production facility. There can be no assurance that the Resulting Issuer will be successful in obtaining required financing as and when needed. Volatile markets may make it difficult or impossible for the Resulting Issuer to obtain debt financing or equity financing on favourable terms, if at all. Failure to obtain additional financing on a timely basis may cause the Resulting Issuer to postpone or slow down its development plans, or reduce or terminate some or all of its activities.

Foreign Exchange

Graphite is the main raw material to produce graphene. Mineral commodities are sold in U.S. dollars and consequently, the Resulting Issuer is subject to foreign exchange risks relating to the relative value of the Canadian dollar compared to the U.S. dollar.

Licences and Permits, Laws and Regulations

Large volume sales of graphene requires permits and approvals from various government authorities, and are subject to extensive federal, provincial, and local laws and regulations governing development, production, exports, taxes, labour standards, occupational health and safety, and other matters. Such laws and regulations are subject to change, can become more stringent and compliance can therefore become more costly. In addition, the Resulting Issuer may be required to compensate those suffering loss or damage by reason of its activities. There can be no guarantee that the Resulting Issuer will be able to maintain or obtain all necessary licences, permits and approvals that may be required to further scale up the graphene production facility.

Health and Safety and Environmental

Currently, there is no regulation regarding health and safety and environmental impact of graphene. These regulations may come into effect in the future, such as regulations governing environmental protection and employee health and safety. Environmental legislation is evolving in a manner that is creating stricter standards, while enforcement, fines and penalties for non-compliance are also increasingly stringent. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. Further, any failure by the Resulting Issuer to comply fully with all applicable laws and regulations could have significant adverse effects on the Resulting Issuer, including the suspension or cessation of operations.

Dependence on Management and Key Personnel

NanoXplore is dependent on the services of key executives, including a small number of highly skilled and experienced executives and personnel. NanoXplore's development to date has largely depended, and in the future will continue to depend, on the efforts of key management and other key personnel to develop its projects. Loss of any of these people, particularly to competitors, in the short term, could have a material adverse impact upon the Resulting Issuer's current business.

Uninsured Risks

NanoXplore maintains insurance to cover normal business risks. In the course of manufacturing businesses, certain risks, and in particular, unexpected or unusual catastrophic events including explosions and fire may occur. It is not always possible to fully insure against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the common shares of the Resulting Issuer.

Competition

NanoXplore competes with other graphene manufacturing companies that have interesting strong technology and have been in the market longer than NanoXplore and have stronger financial backing. Such competition may result in the Resulting Issuer being unable to acquire large volume customers, recruit or retain qualified employees or acquire the capital necessary to fund its operations and scale up the production of graphene. NanoXplore's inability to compete with other graphene companies would have a material adverse effect on the Resulting Issuer's results of operation and business.

Qualified Employees

Recruiting and retaining qualified personnel is critical to the NanoXplore's success. Graphene is a newly discovered material and finding skilled scientists and sales team familiar to the subject is difficult. As the Resulting Issuer grows further, the need for skilled labour will increase. The number of persons skilled in the high tech manufacturing business is limited and competition for this workforce is intense. This may adversely affected the business of NanoXplore if the Resulting Issuer cannot recruit and retain qualified personnel as and when required

Share Price Fluctuations

The market price of securities of many companies, particularly development stage companies, experience wide fluctuations in price that are not necessarily related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that fluctuations in the Resulting Issuer's share price will not occur.

Conflicts of Interest

Certain of the Resulting Issuer's directors and officers serve or may agree to serve as directors or officers of other companies and, to the extent that such other companies may participate in ventures in which the Resulting Issuer may participate, the directors of Resulting Issuer may have a conflict of interest in negotiating and concluding terms respecting such participation.

Energy Cost

Energy cost is a significant part of the expenses involved in the manufacturing business. NanoXplore profit margin will be significantly impacted by the energy cost. In the case of an increase in the electricity cost, NanoXplore's gross profit will decrease and this may adversely affect the business of NanoXplore.

Litigation

NanoXplore has entered into legally binding agreements with various third parties on a non-disclosure, consulting and partnership basis. The interpretation of the rights and obligations that arise from such

agreements is open to interpretation and NanoXplore may disagree with the position taken by the various other parties resulting in a dispute that could potentially initiate litigation and cause NanoXplore to incur legal costs in the future. Given the speculative and unpredictable nature of litigation, the outcome of any such dispute could have a material adverse effect on the Resulting Issuer's business.

AUDITORS

The auditors of the Resulting Issuer are expected to be PricewaterhouseCoopers LLP, located at 1250 René-Lévesque Blvd West, suite 2500, Montréal, Québec H3B 2G4, following the Transaction.

REGISTRAR AND TRANSFER AGENT

The transfer agent and registrar for the Resulting Issuer will be TSX Trust Company at its principal offices located at 200 University Avenue, suite 300, Toronto, Ontario M5H 4H1, following the Transaction.

SPONSORSHIP AND AGENT RELATIONSHIP

Under the terms of the Engagement Letter, the Agent has been appointed to act as agent in connection with the concurrent Private Placement on a "best efforts" basis.

The Agent will receive an aggregate cash fee equal to 7% of the gross proceeds of the Private Placement and a number of Broker Warrants equal to 7% of the number of Subscription Receipts issued pursuant to the Private Placement, except in respect of sales to President's List Subscribers to a maximum aggregate subscription amount of \$1 million for which NanoXplore agreed to pay a cash fee equal to 3.5% of the gross proceeds in respect of Subscription Receipts subscribed for by President's List Subscribers and to issue that number of Broker Warrants equal to 3.5% of the Subscription Receipts issued to President's List Subscribers. Each Broker Warrant will be exercisable to purchase one Broker Warrant Share at a price of \$0.45 per Broker Warrant Share at any time in whole or from time to time in part for a period of 24 months following the closing of the Transaction. The Broker Warrants shall be exercisable following the satisfaction of the Release Conditions. Upon completion of the Transaction, each Broker Warrant will be exchanged for a broker warrant of the Resulting Issuer.

The conversion of the Subscription Receipts to be issued pursuant to the brokered Private Placement will be conditional upon, among other things, the Agent's being satisfied that all of the conditions of the Exchange as to the completion of the Transaction have been satisfied or waived by the Exchange, the completion of satisfactory due diligence by the Agent, the receipt of all necessary corporate and regulatory approvals, and the execution of a definitive agency agreement among the Agent and NanoXplore.

Considering the Private Placement and the Agent's due diligence performed in connection thereto, Graniz applied with the Exchange for an exemption from the sponsorship requirement under the Exchange's Policy 2.2 *Sponsorship and Sponsorship Requirements*.

INTERESTS OF EXPERTS

The following is a list of experts (collectively the “**Experts**”) whose profession or business gives authority to a statement made by an Expert in this Filing Statement as having prepared or certified a part of a document or report described in this Filing Statement:

- Mallette LLP who provided the independent auditors’ report accompanying the financial statements of Graniz for the fiscal year ended March 31, 2017;
- PricewaterhouseCoopers LLP who provided the independent auditors’ report accompanying the consolidated financial statements of NanoXplore for the fiscal years ended June 30, 2016 and 2015.

PricewaterhouseCoopers LLP and Mallette LLP have advised that it is independent with respect to NanoXplore and Graniz, respectively within the meaning of the Code of ethics of chartered professional accountants (Québec). Moreover, none of the foregoing persons or any of their respective directors, officers or employees is, or expects to be, elected, appointed or employed as a director, officer or employee of Graniz, NanoXplore or the Resulting Issuer or an Associate or Affiliate of any of them.

OTHER MATERIAL FACTS

Neither NanoXplore nor Graniz is aware of any other material facts relating to NanoXplore, Graniz or the Resulting Issuer or to the Transaction that are not disclosed under the preceding items and are necessary in order for this Filing Statement to contain full, true and plain disclosure of all material facts relating to NanoXplore, Graniz and the Resulting Issuer, assuming completion of the Transaction, other than those set forth herein.

BOARD APPROVAL

This Filing Statement has been approved by the directors of NanoXplore and the directors of Graniz. Where information contained in this Filing Statement rests particularly within the knowledge of a Person other than NanoXplore or Graniz, each of NanoXplore or Graniz, respectively, has relied upon information furnished by such Person.

CERTIFICATE OF GRANIZ MONDAL INC.

Dated: August 14, 2017

The foregoing Filing Statement and the Schedules attached thereto constitute full, true and plain disclosure of all material facts relating to the securities of Graniz Mondal Inc. assuming the completion of the Transaction.

GRANIZ MONDAL INC.

(Signed) "Berthe Lambert"

President and Chief Executive Officer

(Signed) "Marie-Josée Têtu"

Director of Finance

ON BEHALF OF THE BOARD OF DIRECTORS

The board of directors of Graniz Mondal Inc. has approved the content and the filing of this Filing Statement.

(Signed) "Gilles Roy"

Director

(Signed) "Chantal Guillemette"

Director

CERTIFICATE OF GROUP NANOXPLORE INC.

Dated: August 14, 2017

The foregoing Filing Statement as it relates to Group NanoXplore Inc. constitutes full, true and plain disclosure of all material facts relating to the securities of the Group NanoXplore Inc.

GROUP NANOXPLORE INC.

(Signed) "Soroush Nazarpour"

President and Chief Executive Officer

(Signed) "Luc Veilleux"

Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

The board of directors of Group NanoXplore Inc. has approved the content and the filing of this Filing Statement.

(Signed) "Benoit Gascon"

Director

(Signed) "Cameron Harris"

Director

ACKNOWLEDGEMENT OF PERSONAL INFORMATION

The undersigned hereby acknowledges and agrees that it has obtained the express written consent of each individual to:

(a) the disclosure of Personal Information by the undersigned to the Exchange (as defined in Appendix 6B Acknowledgement - Personal Information of the Exchange (“**Appendix 6B**”)) pursuant to Form 3D2 of the Exchange; and

(b) the collection, use and disclosure of Personal Information by the Exchange for the purposes described in Appendix 6B or as otherwise identified by the Exchange, from time to time.

Dated: August 14, 2017

GRANIZ MONDAL INC.

Per: *(Signed) “Berthe Lambert”*

President and Chief Executive Officer

SCHEDULE "A" GRANIZ MONDAL INC. FINANCIAL STATEMENTS

Financial Statements of

GRANIZ MONDAL INC.

Years ended March 31, 2017 and 2016

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Graniz Mondal Inc.,

We have audited the accompanying financial statements of **GRANIZ MONDAL INC.**, which comprise the statements of financial position as at March 31, 2017 and 2016, and the statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Graniz Mondal Inc. as at March 31, 2017 and 2016, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

INDEPENDENT AUDITOR'S REPORT (continued)

Observation

Without qualifying our opinion, we draw attention to Note 1 to the financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast doubt about the Company's ability to continue as a going concern in the long term.

*Mallette L.L.P.*¹

Mallette L.L.P.
Partnership of chartered professional accountants

Québec, Canada
July 7, 2017

¹ CPA auditor, CA, public accountancy permit No. A110548

GRANIZ MONDAL INC.

Financial Statements

Years ended March 31, 2017 and 2016

Financial Statements

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GRANIZ MONDAL INC.

Statements of Financial Position

March 31, 2017 and 2016

	2017	2016
Assets		
Current assets:		
Cash	\$ 5,335	\$ 17,231
Sales taxes receivable	398	478
Tax credit receivable	-	237
Prepaid expenses	4,693	3,443
Total current assets	10,426	21,389
Non-current assets:		
Computer equipment (Note 4)	1,014	2,029
Mining properties (Note 5)	385,234	370,036
Exploration and evaluation assets	274,960	274,960
Total non-current assets	661,208	647,025
Total assets	\$ 671,634	\$ 668,414
Liabilities		
Accounts payable and accrued liabilities (Note 6)	\$ 104,362	\$ 75,438
Promissory notes (Note 7)	437,000	399,000
Total current liabilities	541,362	474,438
Shareholders' Equity		
Share capital (Note 8)	3,800,036	3,800,036
Contributed surplus	210,048	205,715
Deficit	(3,879,812)	(3,811,775)
Total equity	130,272	193,976
Total liabilities and equity	\$ 671,634	\$ 668,414

The notes are an integral part of these financial statements.

Nature of operations and going concern (Note 1)
Commitments (Note 14)

On behalf of the Board:

(signed) Berthe Lambert _____, President and CEO

(signed) Marie-Josée Têtu _____, Director of Finance

GRANIZ MONDAL INC.

Statements of Comprehensive Loss

Years ended March 31, 2017 and 2016

	2017	2016
Expenses:		
Professional fees	\$ 19,790	\$ 22,348
Transfer agent and filing fees	13,755	15,979
Office and general	13,452	6,352
Share-based compensation	4,333	-
Loss before finance expense	51,330	44,679
Finance expense (Note 9)	16,707	14,861
Net loss and comprehensive loss	\$ (68,037)	\$ (59,540)
Net loss per share, basic and diluted	\$ (0.0032)	\$ (0.0028)

The notes are an integral part of these financial statements.

GRANIZ MONDAL INC.

Statements of Changes in Equity

Years ended March 31, 2017 and 2016

	Share capital		Contributed surplus	Deficit	Total
	Number	Amount			
Balance at March 31, 2015	21,194,081	\$ 3,800,036	\$ 205,715	\$ (3,752,235)	\$ 253,516
Net loss and comprehensive loss	-	-	-	(59,540)	(59,540)
Balance at March 31, 2016	21,194,081	\$ 3,800,036	\$ 205,715	\$ (3,811,775)	\$ 193,976
Share-based compensation	-	-	4,333	-	4,333
Net loss and comprehensive loss	-	-	-	(68,037)	(68,037)
Balance at March 31, 2017	21,194,081	\$ 3,800,036	\$ 210,048	\$ (3,879,812)	\$ 130,272

The notes are an integral part of these financial statements.

GRANIZ MONDAL INC.

Statements of Cash Flows

Years ended March 31, 2017 and 2016

	2017	2016
Cash flows used in operating activities:		
Net loss and comprehensive loss	\$ (68,037)	\$ (59,540)
Adjustments for:		
Amortization of computer equipment	1,015	1,014
Share-based compensation	4,333	-
Net change in working capital:		
Decrease in sales taxes receivable	80	198
Decrease in tax credit receivable	237	22,722
Increase in prepaid expenses	(1,250)	(3,443)
Interest on accounts payable and accrued liabilities	15,724	14,268
	<u>(47,898)</u>	<u>(24,781)</u>
Cash flows used in financing activities:		
Issuance of promissory notes	38,000	20,000
Cash flows used in investing activities:		
Increase in computer equipment	-	(1,994)
Decrease (increase) in mining properties	(1,998)	1,955
	<u>(1,998)</u>	<u>(39)</u>
Net decrease in cash	(11,896)	(4,820)
Cash, beginning of year	17,231	22,051
Cash, end of year	\$ 5,335	\$ 17,231
Non-cash item:		
Addition of mining properties included in accounts payable	\$ 13,200	\$ 13,236

The notes are an integral part of these financial statements.

GRANIZ MONDAL INC.

Notes to Financial Statements

March 31, 2017 and 2016

Graniz Mondal Inc. (the "Company") was incorporated on May 5, 1995 under the *Business Corporations Act* (Alberta). On August 17, 2012, the Company changed its corporate jurisdiction into the *Canada Business Corporations Act*. The address of the Company's registered office is 2840, rue Marie-Laurence, Lévis, Québec, G6W 8J9. The Company holds interests in two mineral properties located in Northern Québec, which are presently in the exploration stage, and has not yet determined whether the properties contain reserves that are economically recoverable.

1. Nature of operations and going concern:

The Company is in the exploration stage and has two mineral exploration properties in the province of Québec. Although the Company has taken steps to verify and confirm title to mineral properties in which it has an interest, property title might be subject to unregistered prior agreements or non-compliance with regulatory requirements.

The Company has one zinc-gold exploration property in the province of Québec (Troilus-Sud) and an option on a graphite deposit in the Mont-Laurier area (Mousseau West). The Company is presently inactive and no revenue has yet been generated from its activities.

The ability of the Company to meet its commitments as they become payable, including commitments relating to the acquisitions of mineral properties and the development of projects, is dependent on its ability to obtain necessary financing. As at March 31, 2017, the Company has current assets totalling \$10,426 and current liabilities of \$541,362. Until a comeback of the graphite market, the management and the main shareholders intend to meet the cash requirements of the Company. While the Company is still working to secure a financing, there is no certainty that it will be able to secure such financing. These conditions indicate the existence of a material uncertainty that may cast doubt about the Company's ability to continue as a going concern.

On June 6, 2017, the Company has entered into a letter of intent with Group NanoXplore Inc., pursuant to which the Company and NanoXplore Inc. intend to complete a business combination, in accordance with Policy 5.2 of the TSX Venture Exchange. If there is no agreement with Group NanoXplore Inc., the Company will continue to secure a financing to explore the mining properties.

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and on the assumption of going concern. The application of IFRS under the assumption of going concern may be inappropriate because the above condition indicates the existence of a material uncertainty which may cast substantial doubt on the ability of the Company to continue as a going concern.

The financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to realize its assets or discharge its obligations in the ordinary course of operations.

GRANIZ MONDAL INC.

Notes to Financial Statements, Continued

March 31, 2017 and 2016

2. Basis of preparation:

Statement of compliance

These financial statements have been prepared in accordance with IFRS applicable to the preparation of annual financial statements. The accounting policies applied in these financial statements are based on IFRS issued and outstanding as at March 31, 2017.

These financial statements have been approved by the Board of Directors on July 7, 2017.

Basis of measurement

The financial statements have been prepared on the historical cost basis.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in Note 3 and consists of the determination of capitalizable costs as exploration and evaluation assets, and for the management to go or not in production in the future, with respect to refundable tax credits related to resources.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

- Notes 1, 3 and 5 - recoverability of mining properties and exploration and evaluation assets;
- Notes 3 and 8 - estimation of the fair value of share-based payments;
- Note 3 - assessment of tax credits related to resources and credits on mining duties;
- Note 10 - recoverability of deferred tax assets.

GRANIZ MONDAL INC.

Notes to Financial Statements, Continued

March 31, 2017 and 2016

3. Significant accounting policies:

(a) Financial instruments:

Non-derivative financial assets and liabilities are initially recognized at fair value plus any directly attributable transaction costs.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

The Company classified its cash as loans and receivables.

Financial liabilities

The Company classified its accounts payable and accrued liabilities and the promissory notes as financial liabilities at amortized cost. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

(b) Share capital:

Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares, share options and warrants are recognized as an increase to deficit, net of any tax effects.

(c) Fixed assets:

Computer equipment is recorded at cost and subsequently, at cost less amortization and accumulated impairment losses. Amortization is based on its estimated life using the straight-line method at the rate of 33%.

The residual value, the estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimated being accounted for on a prospective basis. Amortization is recorded when the asset is ready to be used.

(d) Mining properties and exploration and evaluation assets:

Mining properties correspond to acquired interests in mining exploration permits/claims which include the rights to explore for, mine, extract and sell all minerals from such claims.

All pre-exploration costs, i.e. costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on an area of interest, are expensed as incurred.

Once the legal right to explore has been acquired, exploration and evaluation expenditures are capitalized in respect of each identifiable area of interest until the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

GRANIZ MONDAL INC.

Notes to Financial Statements, Continued

March 31, 2017 and 2016

3. Significant accounting policies (continued):

(d) Mining properties and exploration and evaluation assets (continued):

Costs incurred include appropriate technical and administrative overhead.

Mining properties and exploration and evaluation assets are carried at historical cost less any impairment losses recognized.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable for an area of interest, the Company stops capitalizing exploration and evaluation costs for that area, tests recognized exploration and evaluation assets for impairment and reclassifies any unimpaired exploration and evaluation assets either as tangible or intangible mine development assets according to the nature of the assets.

(e) Impairment:

Financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against the assets. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment.

The carrying amounts of mining properties and exploration and evaluation assets are assessed for impairment only when indicators of impairment exist, typically when one of the following circumstances applies:

- Exploration rights have or will expire in the near future;
- No future substantive exploration expenditures are budgeted;
- No commercially viable quantities are discovered and exploration and evaluation activities will be discontinued;
- Exploration and evaluation assets are unlikely to be fully recovered from successful development or sale.

GRANIZ MONDAL INC.

Notes to Financial Statements, Continued

March 31, 2017 and 2016

3. Significant accounting policies (continued):

(e) Impairment (continued):

Non-financial assets (continued)

If any such indication exists, then the asset's recoverable amount is estimated.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(f) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(g) Finance expense:

Finance expense comprises interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Interests paid are classified under operating activities in the statements of cash flows.

(h) Share-based compensation:

The grant date fair value of share-based compensation awards granted to employees and directors is recognized as a share-based payment expense, with a corresponding increase in contributed surplus, over the period during which the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service conditions at the vesting date.

(i) Earnings per share:

The Company presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is calculated similarly to basic earnings per shares, except that the weighted average shares outstanding are increased to include additional shares from the assumed exercise of stock options, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options were exercised and that the proceeds from such exercises were used to acquire shares of common stock at the average market price during the year.

GRANIZ MONDAL INC.

Notes to Financial Statements, Continued

March 31, 2017 and 2016

3. Significant accounting policies (continued):

(j) Income tax:

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in the statements of comprehensive loss, except to the extent that they relate to a business combination, or items recognized directly in equity. Therefore, when deferred taxes relate to equity items, a backward tracing is necessary to determine the adjustment to taxes (e.g. change in tax rates and change in unrecognized deferred tax assets) that should be recorded in equity. For this purpose, the accounting policy of the Company is to first allocate changes in the recognition of deferred tax assets based on their expected maturity date.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized with regard to the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

GRANIZ MONDAL INC.

Notes to Financial Statements, Continued

March 31, 2017 and 2016

3. Significant accounting policies (continued):

(k) Refundable credit on mining duties and refundable tax credit related to resources:

The Company is eligible for a refundable credit on mining duties under the *Mining Tax Act* (Québec). This refundable credit on mining duties is equal to 16% for the year ended March 31, 2017 (15% before January 2012 and 12% before January 2011) applied to 50% of eligible expenses incurred for mining activities in Québec. The accounting treatment for refundable credit on mining duties depends on management's intention to either go into production in the future, or to sell its mining properties to another mining producer once the technical feasibility and the economic viability of the properties have been demonstrated. This assessment is made at the level of each mining property. In the first case, the credit on mining duties is recorded as an income tax recovery under IAS 12 - Income Taxes, which generates at the same time a deferred tax liability and deferred tax expense since the exploration and evaluation assets have no more tax basis following the Company's election to claim the refundable credit. In the second case, it is expected that no mining duties will be paid in the future. Accordingly, the credit on mining duties is recorded as a government grant under IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance, which is recorded against exploration and evaluation assets. Currently, it is management's intention to sell its mining properties in the future and, as such, credits on mining duties are recorded in compliance with IAS 20 as a government grant against exploration and evaluation assets.

The Company is also eligible for a refundable tax credit related to resources for mining industry companies in relation to eligible expenses incurred. The refundable tax credit related to resources represents up to 28% of the amount of eligible expenses incurred and is recorded as a government grant against exploration and evaluation assets and mining properties.

Credits related to resources and credit for mining duties recognized against exploration and evaluation expenditures are recorded at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the credits. They are recognized in profit or loss on a systematic basis over the useful life of the related assets.

(l) Cash and cash equivalents:

The Company's cash and cash equivalents include bank accounts and highly liquid financial instruments, with an initial term of three months or less.

(m) Change in accounting method:

IAS 16 - Fixed Assets and IAS 38 - Intangible Assets

In May 2014, IASB issued an amendment to these standards. Entitled "Clarification of Acceptable Methods of Depreciation and Amortization", the amendment specifies that a revenue-based depreciation and amortization method can no longer be used. The depreciation and amortization method must reflect the consumption of the future benefits of an asset. The amendment of these standards had no impact on the Company's financial statements.

GRANIZ MONDAL INC.

Notes to Financial Statements, Continued

March 31, 2017 and 2016

3. Significant accounting policies (continued):

(n) New standards issued but not yet effective:

The following new standards have been issued but are not yet effective and therefore have not been applied in preparing these financial statements:

IAS 7 - Statement of Cash Flows

In February 2016, IASB published amendments of limited scope to IAS 7 - Statement of Cash Flows to require that companies provide information concerning changes in their financing liabilities. The amendments will apply prospectively to fiscal years beginning on or after January 1, 2017. Earlier application is permitted. These standards will have no material impact on the Company's financial statements.

IAS 12 - Income Taxes

In January 2016, IASB published amendments to IAS 12 - Income Taxes on the accounting of future tax assets relating to unrealized losses. Essentially, these amendments aim to clarify when a future tax asset should be recognized in regard to an unrealized loss. These amendments will apply to the financial statements of fiscal years beginning on or after January 1, 2017. These amendments will have no impact on the Company's financial statements.

IFRS 9 - Financial Instruments

In July 2014, IASB issued IFRS 9 - Financial Instruments to replace IAS 39 on the classification and measurement of financial assets and liabilities, amortization and hedge accounting. This standard is retrospectively applicable to financial statements relating to fiscal years beginning on or after January 1, 2018. The Company has not yet assessed the impact of this standard on its financial statements.

IFRS 15 - Revenue from Contracts with Customers

In May 2014, IASB issued IFRS 15 - Revenue from Contracts with Customers to replace IAS 18 and IAS 11. This new standard provides guidance on the method to be used and when to recognize revenue as per a unique model, except for loan contracts, financial instruments and insurance contracts. This standard is retrospectively applicable on January 1, 2018. The Company will assess the impact of this new standard when it will recognize revenues from its ordinary activities.

IFRS 16 - Leases

This standard, issued in 2016, sets out the principles for the recognition, measurement, presentation and disclosure of leases. It provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is twelve months or less or the underlying asset has a low value. However, lessor accounting remains largely unchanged in regard to IAS 17 and the distinction between operating and finance leases is retained. This standard will apply to fiscal years beginning on or after January 1, 2019. The Company has not yet assessed the impact of this standard on its financial statements.

GRANIZ MONDAL INC.

Notes to Financial Statements, Continued

March 31, 2017 and 2016

4. Computer equipment:

Computer equipment is detailed as follows:

	2017		2016	
	Cost	Accumulated amortization	Net book value	Net book value
Computers	\$ 3,043	\$ 2,029	\$ 1,014	\$ 2,029

5. Mining properties:

Mining properties are detailed as follows:

	2015	Acquisition	2016	Acquisition	2017
Mining Rights Troilus Project (a)	\$ 346	\$ 239	\$ 585	\$ 332	\$ 917
Intangible asset - optioned interest Mousseau West Project (b)	358,409	11,042	369,451	14,866	384,317
	\$ 358,755	\$ 11,281	\$ 370,036	\$ 15,198	\$ 385,234

(a) Troilus South property:

Since March 3, 2017, the Company holds a 100% interest in the Troilus South property located about 150 kilometers north of Chibougamau, Québec (on March 3, 2017, SOQUEM transferred their 50% interest to Graniz Mondal Inc. without compensation).

(b) Mousseau West property:

The Company has the option to earn a 75% undivided interest in the Mousseau West graphite property that is comprised of 12 mining claims covering a total of approximately 12 kilometers north of the town of Ste-Véronique (near Mont-Laurier), Québec (Note 14). An amount of \$14,900 (2016 - \$13,236), net of tax credits of \$34 (2016 - \$2,194), was invested on the property (cost related to the mining lease, interest owed to the prospectors and cost related to the storage of mining samples).

GRANIZ MONDAL INC.

Notes to Financial Statements, Continued

March 31, 2017 and 2016

6. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities are detailed as follows:

	2017	2016
Accrued interest on Mousseau West promissory notes due to directors and a shareholder	\$ 39,636	\$ 26,436
Accrued interest on other promissory notes due to directors and a shareholder	45,496	28,837
Other accrued liabilities	19,230	20,165
	\$ 104,362	\$ 75,438

7. Promissory notes:

	2017	2016
Promissory notes due to directors, bearing interest at a rate of 8% per annum, repayable in December 2017 ^{(1) (2)}	\$ 148,500	\$ 74,250
Promissory note due to a shareholder, bearing interest at a rate of 8% per annum, repayable in December 2017 ^{(1) (2)}	16,500	90,750
Promissory notes due to directors, bearing interest at a rate of 6.5% per annum, repayable on demand ^{(3) (4)}	200,000	62,000
Promissory note due to a shareholder, bearing interest at a rate of 6.5% per annum, repayable on demand ⁽⁴⁾	72,000	172,000
	\$ 437,000	\$ 399,000

⁽¹⁾ After a new agreement, the reimbursement of the promissory notes was deferred to December 2017.

⁽²⁾ A shareholder with a promissory note in the amount of \$74,250 became a director during the year.

⁽³⁾ During the year, to keep the Company in good standing, a director provided loans of \$20,000 on August 1 and \$18,000 on September 19, 2016 for a total amount of \$38,000.

⁽⁴⁾ A shareholder with a promissory note in the amount of \$100,000 became a director during the year.

GRANIZ MONDAL INC.

Notes to Financial Statements, Continued

March 31, 2017 and 2016

8. Share capital:

(a) Share capital authorized:

An unlimited number of common shares, without par value

An unlimited number of first preferred shares

An unlimited number of second preferred shares

The first and second preferred shares may be issued in one or more series and the directors are authorized to fix the number of shares in each serie and to determine the designation, rights, privileges, restrictions, and conditions attached to the shares of each serie.

(b) Share capital issued and outstanding:

	2017	2016
Issued at the beginning and at the end of year:		
21,194,081 common shares	\$ 3,800,036	\$ 3,800,036

(c) Share options plan:

The Company has a share options plan under which options to purchase common shares may be granted by the Board of Directors to directors, officers and employees of the Company and private corporations for terms of up to ten years at a price normally equal to the closing price of the common shares on the day immediately preceding the date of grant. The maximum number of options available for grant under the plan is 10% of the issued and outstanding shares with no more than 5% granted to any one director. Options granted will vest immediately on being granted, unless the Board determines otherwise.

The table below presents a summary of the share options plan:

	2017		2016	
	Number of outstanding options	Weighted average exercise price	Number of outstanding options	Weighted average exercise price
Outstanding, beginning of year	1,425,000	\$ 0.11	1,425,000	\$ 0.11
Granted	400,000	0.05	-	-
Outstanding, end of year	1,825,000	\$ 0.097	1,425,000	\$ 0.11

GRANIZ MONDAL INC.

Notes to Financial Statements, Continued

March 31, 2017 and 2016

8. Share capital (continued):

(c) Share options plan (continued):

The following table summarizes information about stock options outstanding as at March 31, 2017:

Range of exercise price	Options outstanding			Options exercisable	
	Number of options outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
\$0.05	400,000	4.13 years	0.05	333,333	0.05
\$0.10	725,000	2.16 years	\$ 0.10	725,000	\$ 0.10
\$0.115	600,000	1.48 years	0.115	600,000	0.115
\$0.145	100,000	1.62 years	0.145	100,000	0.145
	1,825,000	2.34 years	\$ 0.096	1,758,333	\$ 0.098

On May 20, 2016, the Company issued 400,000 stock options at \$0.05 of which \$100,000 to a consultant. The Company was not able to reliably estimate the fair value of services received from the consultant in return of stock options granted, due to the lack of reliable comparable. Therefore, an option pricing model was used. No stock options were exercised nor expired.

The fair value of each option granted was determined using the Black-Scholes option pricing model. At the date of the grants, the weighted average fair value of stock options granted was \$0.0119 per option. The following weighted average assumptions were used in these calculations:

	2017
Weighted average risk-free interest rate	0.75 %
Weighted average expected life	5 years
Expected volatility	140%
Expected dividend yield	0.00%

Determination of volatility assumption is based on an historical volatility analysis over a period equal to the expected life of the options.

GRANIZ MONDAL INC.

Notes to Financial Statements, Continued

March 31, 2017 and 2016

8. Share capital (continued):

(d) Loss per share:

The calculation of basic loss per share at March 31, 2017 was based on the net loss attributable to common shareholders, which corresponds to the net loss for the year of \$68,037 (2016 - \$59,540), and a weighted average number of common shares outstanding of 21,194,081 (2016 - 21,194,081).

The calculation of diluted loss per share at March 31, 2017 is the same as the basic loss per share as all options had anti-dilutive effect (same as at March 31, 2016).

9. Finance expense:

Finance expense is detailed as follows:

	2017	2016
Interest and bank charges	\$ 48	\$ (67)
Interest on promissory notes due to two directors*	8,720	3,717
Interest on promissory notes due to shareholders*	7,939	11,211
Finance expense recognized in profit or loss	\$ 16,707	\$ 14,861

*A shareholder became a director during the year.

10. Income taxes:

Income tax expense (recovery) differs from the amounts computed by applying the combined federal and provincial income tax rate of 26.8% (2016 - 26.9%) as a result of the following:

	2017	2016
Loss before taxes	\$ (68,037)	\$ (59,540)
Computed (expected) tax recovery	\$ (18,233)	\$ (16,016)
Increase (decrease) in income taxes resulting from:		
Valuation allowance	17,400	16,000
Share-based compensation	1,161	-
Other	(328)	16
Total income tax expense	\$ -	\$ -

GRANIZ MONDAL INC.

Notes to Financial Statements, Continued

March 31, 2017 and 2016

10. Income taxes (continued):

The tax effects of temporary differences that give rise to significant portions of the future tax assets and future tax liabilities are presented below:

	2017	2016
Deferred income tax assets:		
Loss carried forward	\$ 323,000	\$ 306,000
Mining properties	15,400	15,000
Exploration and evaluation assets	45,000	45,000
Total gross deferred income tax assets	383,400	366,000
Less valuation allowance	(383,400)	(366,000)
Net deferred income tax assets	\$ -	\$ -

As at March 31, 2017, the Company has tax losses of approximately \$1,204,700 available to apply against future taxable income as follows:

Expiry date	Amount
2026	\$ 16,400
2027	26,000
2028	62,000
2029	112,500
2030	198,100
2031	56,300
2032	126,200
2033	269,800
2034	138,400
2035	73,400
2036	60,000
2037	65,600
	\$ 1,204,700

GRANIZ MONDAL INC.

Notes to Financial Statements, Continued

March 31, 2017 and 2016

11. Related party transactions:

The Company has no ultimate parent.

Key management personnel compensation:

The compensation of directors and executive officers of the Company comprises:

	2017	2016
President and Chief Executive Officer and Corporate Secretary (in function since December 7, 2012) Share-based compensation	\$ 1,200	\$ -
Director of Finance (in function since September 26, 2014) Professional fees	\$ 1,778	\$ 2,360
Independent directors and members of the Board of Directors Share-based compensation	\$ 2,400	\$ -

Promissory notes:

The Company has promissory notes with a shareholder and two directors totalling \$165,000. These promissory notes bear interest at a rate of 8% per annum.

The Company also has promissory notes with a shareholder and two directors totalling \$272,000. These promissory notes bear interest at a rate of 6.5% per annum.

These transactions were carried out according to equivalents in the case of transactions subject to conditions of normal competition rules.

12. Financial instruments:

The Company is exposed to various financial risks resulting from both its operations and its investment activities. The Company's management monitors financial risks. The Company does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

The Company's main financial risk exposure and its financial risk management policies are as follows:

(a) Credit risk:

Credit risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of the contract. Financial instruments that potentially subject the Company to a credit risk consist of cash. Cash is maintained with high-credit, quality financial institutions.

(b) Interest rate risk:

Promissory notes bear interest at fixed rates and, therefore, the Company is not exposed to the risk of changes in fair value resulting from interest rate fluctuations.

GRANIZ MONDAL INC.

Notes to Financial Statements, Continued

March 31, 2017 and 2016

12. Financial instruments (continued):

(c) Liquidity risk:

Management serves to maintain a sufficient amount of cash and to ensure that the Company has at its disposal sufficient sources of financing such as private placements. The Company establishes cash budgets to ensure it has the necessary funds to fulfill its obligations. Being able to obtain new funds allows the Company to pursue its activities and, even though the Company was successful in the past, there is no guarantee that it will succeed in the future. The accounts payable are due 30 days after the invoice date. Promissory notes are due within 12 months (Note 1).

(d) Fair value:

The fair value of cash, accounts payable and accrued liabilities and the promissory notes approximate their carrying amounts due to their short-term nature.

13. Capital disclosures:

The Company's objectives when managing its capital are to safeguard the Company's ability to continue as a going concern in order to continue its exploration programs and development of its mining assets, to provide sufficient working capital to meet its ongoing obligations and to pursue potential investments.

In the management of capital, the Company includes the components of shareholders' equity.

The Company manages its capital structure and makes adjustments to it in accordance with the aforementioned objectives, as well as in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares. There is no dividend policy. The Company is not subject to externally imposed capital requirements.

The Company's management of capital remained unchanged since the last year.

GRANIZ MONDAL INC.

Notes to Financial Statements, Continued

March 31, 2017 and 2016

14. Commitments:

Mousseau West property:

On December 13, 2012, the Company signed an option agreement on the Mousseau West property which comprised 12 mining claims covering a total of approximately 489 hectares straddling the boundaries of Brunet and Mousseau Townships approximately 12 kilometers north of the town of Ste-Véronique, Québec. Under the terms of the agreement, signed in December 2012 and amended in November 2013, the Company will acquire a 75% interest in the property in exchange of promissory notes of \$165,000, the issuance of 2,000,000 common shares (issued on December 21, 2012) and 2,000,000 shares to be issued on the third anniversary in addition to a cash payment of \$50,000 on the third anniversary. The Company also undertook to spend \$200,000 in exploration work on or before the first anniversary and a further \$200,000 on or before the second anniversary (\$450,329 incurred). The sellers retain a 2% net smelter return (NSR) royalty. The Company also has an option to purchase the remaining 25% interest for \$4,500,000.

In December 2016, the Company extended all of agreement's terms to December 2017.

15. Subsequent event:

The Company is entered into a letter of intent dated June 6, 2017 with Group NanoXplore Inc. (NanoXplore). The Company and NanoXplore intend to complete a business combination (the "Proposed Transaction"), in accordance with Policy 5.2 of TSX Venture Exchange (the "Exchange").

Concurrently with the completion of the Proposed Transaction, the Company and NanoXplore intend to make a brokered private placement of a minimum of \$2,000,000 and a maximum of \$5,000,000, subject to obtaining all requisite regulatory approval, including that of the Exchange.

The Proposed Transaction is an arm's length reverse takeover of the Company within the meaning of Policy 5.2 of the Exchange and is subject to a number of conditions precedent, which are a private placement described hereinafter and the receipt of all requisite regulatory and corporate and shareholder approvals, including that of the Exchange.

Pursuant to the Proposed Transaction, the Company shall proceed to a 15:1 common share consolidation in order to reduce its outstanding shares to 1,412,939 and shall purchase all of the issued and outstanding common shares in the share capital of NanoXplore for a total consideration of \$25,294,594 payable through the issuance of 56,210,209 common shares in the share capital of the Company (after consolidation), at a deemed value of \$0.45 per common share.

Furthermore, outstanding debts of the Company, estimated at \$340,000 shall be converted into 755,556 common shares in the share capital of the company resulting from the combination (Resulting Issuer), at a deemed value of \$0.45 per common share.

GRANIZ MONDAL INC.

Notes to Financial Statements, Continued

March 31, 2017 and 2016

15. Subsequent event (continued):

Advisory fees shall be payable to certain advisors, directors and officers of the Company, through the issuance of 115,556 common shares of the Resulting Issuer, at a deemed price of \$0.45 per common share and 1,038,769 options of the Resulting Issuer, at an exercise price of \$0.45 per common share.

Pursuant to the Proposed Transaction, the in-the-money existing options of NanoXplore will be converted into 749,848 common shares in the share capital of the Resulting Issuer, at a deemed value of \$0.45 per common share and the out-the-money existing options of NanoXplore will be converted in 520,866 options of the Resulting Issuer at a an exercise price of \$0.45 per common share.

Furthermore, the Company confirms that pursuant to the Proposed Transaction, it shall return, subject to prior Exchange acceptance and disinterested shareholder approval, the 75% option on Mousseau West property to the owners and accordingly, the outstanding debt and accrued interest relating to the property shall be deemed forgiven (approximately \$210,000). There is no other consideration to be paid.

SCHEDULE "B" GROUP NANOXPLORE INC. FINANCIAL STATEMENTS



CONSOLIDATED FINANCIAL STATEMENTS
For the nine-month periods ended March 31, 2017 and 2016 (unaudited) and
For the years ended June 30, 2016 and 2015
(Expressed in Canadian dollars)



August 18, 2017

Independent Auditor's Report

To the Shareholders of Group NanoXplore Inc.

We have audited the accompanying consolidated financial statements of Group NanoXplore Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at June 30, 2016 and 2015, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

*PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
1250 René-Lévesque Boulevard West, Suite 2500, Montréal, Quebec, Canada H3B 4Y1
T: +1 514 205 5000, F: +1 514 876 1502, www.pwc.com/ca*



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Group NanoXplore Inc. and its subsidiaries as at June 30, 2016 and 2015, and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP¹

¹ CPA auditor, CA, public accountancy Permit No. A122718

Group NanoXplore Inc.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	As at March 31, 2017 \$ (unaudited)	As at June 30, 2016 \$	As at June 30, 2015 \$
Assets			
Current assets			
Cash	933,064	1,167,042	2,295,786
Accounts receivable (Note 5)	509,795	449,165	67,457
Inventory (Note 6)	308,484	292,152	9,737
Prepaid expenses	24,953	27,783	25,429
Lease deposit	751	6,956	7,075
	1,777,047	1,943,098	2,405,484
Non-current assets			
Lease deposit	25,850	25,600	-
Investment in a joint venture (Note 7)	65,220	70,220	-
Property, plant and equipment (Note 9)	3,324,799	3,099,516	198,609
	5,192,916	5,138,434	2,604,093
Liabilities			
Current liabilities			
Operating loan (Note 11)	205,000	255,000	-
Accounts payable and accrued liabilities (Note 10)	633,457	679,606	214,436
Income tax payable (Note 17)	5,657	14,100	-
Long-term debt due within one year (Note 12)	158,423	103,696	-
Convertible debentures (Note 13)	-	550,000	-
	1,002,537	1,602,402	214,436
Non-current liabilities			
Long-term debt (Note 12)	2,042,783	2,162,452	-
Deferred income taxes liabilities (Note 17)	359,114	363,114	-
	3,404,434	4,127,968	214,436
Equity			
Share capital	5,705,879	3,414,725	3,414,725
Reserves	186,584	108,065	-
Deficit	(4,103,981)	(2,512,324)	(1,025,068)
	1,788,482	1,010,466	2,389,657
Total equity and liabilities	5,192,916	5,138,434	2,604,093

The accompanying notes are an integral part of these consolidated financial statements.

Note 1 – Nature of operation and going concern

Note 19 – Commitments

Note 23 – Subsequent events

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

“Soroush Nazarpour”, Director

“Benoit Gascon”, Director

Group NanoXplore Inc.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian dollars)

	For the nine-month periods ended March 31,		For the years ended June 30,	
	2017	2016	2016	2015
	\$	\$	\$	\$
	(unaudited)	(unaudited)		
Revenues				
Sales of products	2,028,729	10,569	229,421	18,102
Royalties	37,500	37,500	50,000	58,333
Laboratory Services	50,000	108,750	108,749	1,250
Other income (Note 5)	434,666	373,931	388,680	137,120
	<u>2,550,895</u>	<u>530,750</u>	<u>776,850</u>	<u>214,805</u>
Expenses				
Wages and salaries	1,889,128	723,351	1,117,926	631,280
Raw materials, consumables and supplies	754,790	15,617	105,916	3,831
Energy	131,678	8,617	26,836	-
Rent	96,750	53,137	71,430	55,141
Insurance	11,304	-	1,251	-
Repairs and maintenance	66,486	-	8,128	-
Share-based compensation (Note 15)	78,519	53,700	108,065	-
Professional and consulting fees	469,824	235,037	430,989	197,289
Laboratory supplies	22,184	18,194	29,623	9,246
Advertising and promotion	63,498	36,379	47,002	27,058
Office and general expenses	126,472	50,435	71,316	26,215
Allowance for doubtful accounts (Note 5)	-	-	14,286	-
Travel and accommodation	49,801	48,142	64,701	61,530
Bank charge	5,455	1,589	2,698	1,856
Depreciation	251,192	66,102	105,860	28,319
Foreign exchange	17,319	6,071	8,443	(421)
	<u>4,034,400</u>	<u>1,316,371</u>	<u>2,214,470</u>	<u>1,041,344</u>
Operating loss	(1,483,505)	(785,621)	(1,437,620)	(826,539)
Interest on long-term debt	102,809	-	23,849	-
Share of loss of a joint venture (Note 7)	5,000	26,096	29,780	-
Loss before income taxes	(1,591,314)	(811,717)	(1,491,249)	-
Current income taxes expense	4,343	-	-	-
Deferred income tax recovery	(4,000)	-	(3,993)	-
	343	-	(3,993)	-
Loss and comprehensive loss	(1,591,657)	(811,717)	(1,487,256)	(826,539)
Loss per share				
Basic and diluted (Note 16)	<u>(1.18)</u>	<u>(0.64)</u>	<u>(1.17)</u>	<u>(0.77)</u>

The accompanying notes are an integral part of these consolidated financial statements.

Group NanoXplore Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in Canadian dollars)

	<u>Share Capital</u>				
	Number (unaudited)	Amount (unaudited)	Reserve (unaudited)	Deficit (unaudited)	Equity (unaudited)
Balance as at July 1, 2015	1,275,511	3,414,725	-	(1,025,068)	2,389,657
Share-based compensation	-	-	53,700	-	53,700
Loss and comprehensive loss for the period	-	-	-	(811,717)	(811,717)
Balance as at March 31, 2016	1,275,511	3,414,725	53,700	(1,836,785)	1,631,640
Balance as at July 1, 2016	1,275,511	3,414,725	108,065	(2,512,324)	1,010,466
Private placement – common shares (net of issuing costs of \$5,978) (Note 14)	69,605	1,249,022	-	-	1,249,022
Conversion of convertible debentures in common shares (Note 13)	57,801	1,042,132	-	-	1,042,132
Share-based compensation	-	-	78,519	-	78,519
Loss and comprehensive loss for the period	-	-	-	(1,591,657)	(1,591,657)
Balance as at March 31, 2017	1,402,917	5,705,879	186,584	(4,103,981)	1,788,482

	<u>Share Capital</u>				
	Number	Amount	Reserve	Deficit	Equity
Balance as at July 1, 2015	1,275,511	3,414,725	-	(1,025,068)	2,389,657
Share-based compensation	-	-	108,065	-	108,065
Loss and comprehensive loss for the year	-	-	-	(1,487,256)	(1,487,256)
Balance as at June 30, 2016	1,275,511	3,414,725	108,065	(2,512,324)	1,010,466
Balance as at July 1, 2014	1,000,000	699,725	-	(198,529)	501,196
Private placement – common shares (net of issuing costs)	275,511	2,715,000	-	-	2,715,000
Loss and comprehensive loss for the year	-	-	-	(826,539)	(826,539)
Balance as at June 30, 2015	1,275,511	3,414,725	-	(1,025,068)	2,389,657

The accompanying notes are an integral part of these consolidated financial statements.

Group NanoXplore Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	For the nine-month periods ended March 31,		For the years ended June 30,	
	2017	2016	2016	2015
	\$	\$	\$	\$
	(unaudited)	(unaudited)		
Cash flows from operating activities				
Net loss	(1,591,657)	(811,717)	(1,487,256)	(826,539)
Items not affecting cash:				
Depreciation	251,192	66,102	105,860	28,319
Share-based compensation	78,519	53,700	108,065	-
Laboratory services to joint venture (Note 7)	-	(50,000)	(50,000)	-
Share of loss of a joint venture (Note 7)	5,000	26,096	29,780	-
Allowance for doubtful accounts	-	-	14,286	-
Finance costs	34,718	-	-	-
Deferred income tax recovery	(4,000)	-	(3,993)	-
Unrealized foreign exchange	-	-	1,680	(470)
Changes in non-cash operating working capital items:				
Accounts receivable	(60,630)	(112,400)	40,382	(39,205)
Inventories	(16,332)	(9,715)	(886)	(9,737)
Prepaid expenses	2,830	8,127	1,166	(20,934)
Income tax payable	(8,443)	-	-	-
Accounts payable and accrued liabilities	(38,735)	(55,892)	11,125	197,686
	<u>(1,347,538)</u>	<u>(885,699)</u>	<u>(1,229,791)</u>	<u>(670,880)</u>
Cash flows from financing activities				
Private placement	1,255,000	-	-	2,725,000
Share issue costs	(5,978)	-	-	(10,000)
Operating loan drawdown	-	-	255,000	-
Issuance of a convertible debentures	450,000	-	550,000	-
Repayment of operating loan	(50,000)	-	-	-
Issuance of a long-term debt	-	-	2,250,000	-
Repayment of a long-term debt	(64,942)	-	(588,179)	-
	<u>1,584,080</u>	<u>-</u>	<u>2,466,821</u>	<u>2,715,000</u>
Cash flows from investing activities				
Business acquisition (Note 4)	-	-	(2,105,047)	-
Additions of property, plant and equipment	(476,475)	(171,100)	(184,489)	(204,331)
Lease Deposit	5,955	(9,275)	(25,481)	(775)
Investment in associate	-	(50,000)	(50,000)	-
Proceed from disposal of associate	-	50,000	50,000	-
Investment in Joint venture	-	(50,000)	(50,000)	-
	<u>(470,520)</u>	<u>(230,375)</u>	<u>(2,365,017)</u>	<u>(205,106)</u>
Effect of foreign exchange rates on cash balances	-	-	(757)	470
Change in cash	(233,978)	(1,116,074)	(1,128,744)	1,839,484
Cash, beginning of the period	1,167,042	2,295,786	2,295,786	456,302
Cash, end of the period	933,064	1,179,712	1,167,042	2,295,786
Income tax paid	12,443	-	27,569	-
Interest paid	60,392	-	-	-
Additional cash flow information – non cash transaction				
Financing activities				
Conversion of convertible debentures in equity	1,042,132	-	-	-

The accompanying notes are an integral part of these consolidated financial statements.

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1. NATURE OF OPERATIONS

Group NanoXplore Inc. and its subsidiaries (together “NanoXplore” or the “Company”) is an advanced materials company that manufacture graphene, graphene-enhanced polymers and plastic products applicable to industrial components and metals. The address of the Company’s corporate office is 25, Boul. Montpellier, St-Laurent (Montreal), QC, Canada.

These consolidated financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards (“IFRS”) which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. If the going concern assumptions were not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities and the reported expenses.

Management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. In making its assessment, Management is aware of material uncertainties related to events and conditions that lend a significant doubt upon the Company’s ability to continue as a going concern and accordingly, the appropriateness of the use of IFRS applicable to a going concern, as described in the following paragraph. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary where the going concern assumption would not be appropriate. These adjustments could be material.

As at March 31, 2017, the Company had a working capital of \$774,510, had an accumulated deficit of \$4,103,981 and incurred a loss of \$1,591,657 for the nine months period then ended (unaudited). Working capital included cash of \$933,064 (unaudited). Management estimates that these funds will not be sufficient to meet the Company’s obligation and planned expenses through the next year (unaudited). Any funding shortfall may be met in the future in a number of ways, including but not limited to, the issuance of new debt or equity instruments, expenditures reductions and/or the introduction of joint venture partners and/or business combinations. While Management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available on terms which are acceptable to the Company. If Management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in these consolidated financial statements.

These consolidated financial statements were reviewed, approved and authorized for issue by the Board of Directors of the Company on August 18, 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Company’s consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The Company has consistently applied the accounting policies used in the preparation of its IFRS consolidated financial statements, including the comparative figures.

The condensed interim consolidated financial information as at March 31, 2017 and for the nine-month periods ended March 31, 2017 and 2016 are unaudited and have been prepared in accordance with IFRS as issued by IASB applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The preparation of the condensed interim consolidated financial information in accordance with IAS 34 requires

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the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated financial statements, with the exception of cash flow information, have been prepared using the accrual basis of accounting.

Basis of consolidation

These consolidated financial statements include the accounts of the Company, which include:

a) Subsidiaries

Subsidiaries are all entities over which the Company has control. Control exists when the Company is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through the power over the entity.

The subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

The Company has the following subsidiaries:

- NanoXplore GmbH, based in Germany, with an equity interest of 100% (2015: 100%);
- 9334-7474 Québec Inc., based in Canada, with an equity interest of 100% (2015: nil). 9334-7474 Québec Inc. holds 100% of Gestion RJ Aubin Inc ("Gestion RJ") and Gestion RJ Aubin Inc. holds 100% of Rada Industries Ltd. ("Rada Industries"). On July 1st, 2016, 9334-7474 Québec Inc. and Gestion RJ amalgamated their activities in order to continue exclusively under the name of 9334-7474 Québec Inc.

Intercompany transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognized in assets are also eliminated.

b) Joint ventures

A joint venture is a contractual agreement whereby the Company agrees with other parties to undertake an economic activity that is subject to joint control, i.e. strategic financial and operating decisions relating to the joint venture's activities require the unanimous consent of the parties sharing control. Investments in joint ventures are accounted for using the equity method. The share of earnings (loss) from joint ventures is recognized in the consolidated statement of loss.

Foreign currency

a) Functional and presentation currency

NanoXplore's functional and presentation currency is the Canadian dollar. Functional currency is determined for each of the Company's entities, and items included in the consolidated financial statements of each entity are measured using that functional currency.

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b) Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated at the prevailing exchange rate at the reporting date. Non-monetary assets and liabilities, and revenue and expense items denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing at the dates of the respective transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in the consolidated statement of loss and comprehensive loss.

Foreign exchange gains and losses are presented in the consolidated statement of loss and comprehensive loss within "Foreign exchange".

Revenue recognition

Revenues comprise the following:

- Sales of products
- Royalties
- Laboratory services
- Other income

Revenues from the sale of products are measured at the fair value of the consideration received or receivable. Those revenues are recognized when the risks and rewards of ownership have been transferred to the buyer (which generally occurs upon shipment) and collectability of the related receivables is reasonably assured. Revenues are recognized when (i) it can be measured reliably; (ii) it is probable that the economic benefits associated with the transaction will flow to the Company; (iii) the costs incurred or to be incurred can be measured reliably; and (iv) the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Revenues from laboratory services are recognized as services are rendered generally based on the negotiated rates in the consulting arrangement and the number of hours worked during the period. Those revenues are recognized when (i) it can be measured reliably; (ii) it is probable that the economic benefits associated with the transaction will flow to the Company; and (iii) the costs incurred or to be incurred can be measured reliably.

Revenues from royalties are measured at the expected fair value of the consideration received or receivable. Those revenues are recognized when (i) it can be measured reliably; (ii) it is probable that the economic benefits associated with the transaction will flow to the Company, and (iii) the Company retains neither continuing managerial involvement. In the case that the Company has remaining obligation and the license is granted for a specific period of time, revenues are deferred and recognized based on a straight-line basis over the period covered by the agreement.

Other income comprises the following:

- Government assistance
- Scientific Research and Experimental Development tax credit

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Cash

Cash consists of cash on hand.

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

The Company classifies its financial instruments into the following categories:

a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise cash and accounts receivable. Loans and receivables are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

b) Financial liabilities at amortized cost

Financial liabilities at amortized cost comprise operating loan, accounts payable and accrued liabilities, long-term debt and convertible debentures. Financial liabilities at amortized cost are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, accounts payable and accrued liabilities are measured at amortized cost using the effective interest method. These are classified as current liabilities if payment is due within 12 months. Otherwise, they are presented as non-current liabilities.

Inventory

Inventory is stated at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. Cost includes all expenditures directly attributable to the manufacturing process as well as suitable portions of related production overheads based on a normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business less costs of completion and any applicable selling expenses. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the impairment is reversed (i.e. the reversal is limited to the amount of the original impairment) so that the new carrying amount is the lower of the cost and the revised net realizable value.

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Property, plant and equipment

Property, plant and equipment are recorded at cost, less accumulated depreciation and accumulated impairment losses, if applicable. Property, plant and equipment are depreciated using the straight-line method over their estimated useful lives, taking into account any residual values. Their useful lives are as follows:

Land	Not depreciated
Building	20 years
Production equipment:	5 to 10 years
Laboratory, computer, office equipment and rolling stock:	2 to 5 years
Leasehold improvements:	Lease term

Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized in the period in which they are incurred and recorded as a deduction from the proceeds in equity in the period in which the shares are issued.

Capital Management

The capital structure of the Company as at June 30, 2016 and 2015 consists of equity attributable to common shareholders comprising issued capital and equity reserves. The operations are in the development stage and as a result the Company has minimal source of operating cash flows and is dependent on external financing to fund its continued development. The Company main sources of funding have been the issuance of equity securities for cash, debts, funds from the government of Quebec and from the federal government with respect to R&D tax credit and the Industrial Research Assistance Program. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company is not subject to any externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no significant changes in the capital management notes, objectives, policies and proceedings during 2016 and 2015. Changes in capital are described in the statement of changes in equity.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the asset group to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

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If the recoverable amount of an asset or asset group is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately as additional depreciation or amortization. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of the recoverable amount, but only to the extent that this does not exceed the carrying value that would have been determined had no impairment been previously recognized. A reversal is recognized as a reduction in the depreciation or amortization charge for the period.

Research and development expenses

Research and development expenses are charged to the consolidated statement of loss and comprehensive loss in the period they are incurred. Research and development expenses charged to the consolidated statement of loss and comprehensive loss for the year are presented according to their type.

Government assistance and Scientific Research and Experimental Development tax credit

The Company periodically receives financial assistance under government incentive programs and Scientific Research and Experimental Development tax credit ("SR&ED"). Government assistance and SR&ED are recognized initially as a deferred contribution at fair value when there is reasonable assurance that it will be received and the Company will comply with the conditions associated with the assistance. It is recognized as other income when there is a reasonable assurance that it will be received.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the date of inception. The arrangement is assessed to determine whether fulfillment is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that right is not explicitly specified in an arrangement.

Leases that do not transfer substantially all the risks and rewards incidental to ownership to the Company as a lessee are classified as operating leases. Operating lease payments are recognized as an operating expense in the consolidated statement of loss and comprehensive loss on a straight-line basis over the lease term.

Income tax

Income tax comprises current and deferred tax. Income tax is recognized in the consolidated statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in other comprehensive loss or in equity, in which case the income tax is also recognized directly in other comprehensive loss or equity, respectively.

Current income tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous years.

In general, deferred income tax is recognized with respect to temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not recognized if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit nor loss.

Deferred income tax is determined on a non-discounted basis using tax rates and laws enacted or substantively enacted at the consolidated statement of financial position date and that are expected to apply when the deferred tax asset is realized or liability is settled. Deferred tax assets are recognized to the extent that it is probable that

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future taxable profit will be available against which the deductible temporary differences can be used. Deferred tax assets and liabilities are presented as non-current.

Loss per share

Basic loss per share is based on the weighted average number of common shares outstanding of the Company during the year. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding share options, convertible debentures, broker warrants and warrants, in the weighted average number of common shares outstanding during the year, if dilutive.

The calculation of earnings (loss) per share ("EPS") is based on the weighted average number of shares outstanding for each year. The basic EPS is calculated by dividing the profit or loss of the Company by the weighted average number of common shares outstanding during the year.

Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Share-based compensation

The fair value of stock options granted to employees is recognized as an expense, over the vesting period with a corresponding increase in option reserves. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined that the fair value of the goods or services cannot be reliably measured, and are recorded at the date on which the goods or services are received.

The fair value is measured at the grant date and recognized over the period during which the stock options vest. The fair value of options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. Determination of the grant date fair value requires management estimates such as risk-free interest rate, volatility and weighted average expected life.

At each statement of financial position date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest. On exercise of a stock option, any amount related to the initial value of the stock option, along with the proceeds from exercise, are recorded in share capital.

Significant management estimations and judgments in applying accounting policies

The following are significant management judgments used in applying the accounting policies of the Company that have the most significant effect on the consolidated financial statements.

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When preparing the consolidated financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, revenues and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, revenues and expenses are discussed below.

i) Impairment of non-financial assets

An impairment loss is recognized for the amount by which an asset's or cash-generating unit's (CGU) carrying amount exceeds its recoverable amount, which is the higher of fair value less cost of disposal and value in use. To determine value in use, management estimates expected future cash flows from each asset or CGU and determines a suitable discount rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary and may cause significant adjustments to the Company's assets in future periods. In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and to asset-specific risk factors.

ii) Inventories

Inventories are measured at the lower of cost and net realizable value, with cost determined using the weighted average cost method. In estimating net realizable values, management takes into account the most reliable evidence available the time the estimates are made. The Company evaluates its inventories using a group of similar items and considers expected future prices as well as events that have occurred between the consolidated statement of financial position date and the date of the completion of the consolidated financial statements.

iii) Government assistance

Government assistance is accounted for as other income during the year in which the costs are incurred, provided that the Company is reasonably certain that the assistance/income will be received. Government assistance must be examined and approved by the tax authorities, and it is possible that the amounts granted will differ from the amounts recorded. In the case that it would be reasonable to believe that certain amounts collected would have to be repaid, a provision is taken.

3. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET IN EFFECT

The following standards and amendments to existing standards have been published, and their adoption is mandatory for future accounting periods.

IFRS 9, Financial Instruments

In November 2009 and October 2010, the IASB issued the first phase of IFRS 9. In November 2013, the IASB issued a new general hedge accounting standard, which forms part of IFRS 9. The final version of IFRS 9 was issued in July 2014 and includes a third measurement category for financial assets (fair value through other comprehensive income) and a single, forward-looking "expected loss" impairment model.

IFRS 9 replaces the current multiple classification and measurement models for financial assets and financial liabilities with a single model that has three classification categories: amortized cost, fair value through other comprehensive income and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset or financial liability. It also

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introduces limited changes relating to financial liabilities and aligns hedge accounting more closely with risk management.

The new standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. Management is currently reviewing the impact that this standard will have on the Company's consolidated financial statements.

IFRS 15, Revenue from Contracts with Customers

The IASB has issued IFRS 15, which will replace IAS 11, Construction Contracts, and IAS 18, Revenue. The mandatory effective date of IFRS 15 is January 1, 2018. The objective of IFRS 15 is to establish a single, principle-based model to be applied to all contracts with customers in determining how and when revenue is recognized. IFRS 15 also requires entities to provide additional disclosures. The Company will evaluate the impact of adopting IFRS 15 in its consolidated financial statements in future years.

IFRS 16, Leases

In January 2016, IASB issued IFRS 16, "Leases", which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The standard will be mandatory for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of this standard on its consolidated financial statements

IAS 7, Statement of Cash Flows

In January 2016, IASB amended IAS 7, "Statement of Cash Flows", The amendments require that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. One way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities. This amendment will be mandatory for reporting periods beginning on or after January 1, 2017. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

4. BUSINESS ACQUISITION

Acquisition of Gestion RJ Aubin Inc.

On June 1st, 2016, through its wholly-own subsidiary 9334-7474 Québec Inc., the Company acquired all of the issued and outstanding shares in the capital of Gestion RJ for a total consideration of \$2,251,603. Gestion RJ holds a building where Rada Industries operates exclusively. Rada Industries is a wholly-owned subsidiary of Gestion RJ, located in Delson, Québec and is a manufacturer of plastic blow molding and injection. Rada Industries offers products consisting primarily of 100 % recyclable plastic bottles, jars and custom plastic parts.

This transaction was financed using the Company's available cash and issued new credit facilities (operating loan and long-term debt).

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The following table summarizes the consideration paid for Gestion RJ and the amount of the assets acquired and liabilities assumed recognized at the acquisition date as well as the fair value at the acquisition date:

	\$
<u>Assets acquired</u>	
Cash	146,556
Accounts receivable	436,166
Inventories	281,529
Prepaid expenses	3,520
Property, plant and equipment	2,822,278
	<u>3,690,049</u>
<u>Liabilities assumed</u>	
Accounts payable and accrued liabilities	425,344
Income taxes payable	41,669
Long-term debt	604,326
Deferred income taxes liabilities	367,107
	<u>1,438,446</u>
Net identifiable assets	<u>2,251,603</u>
	-
Consideration paid in cash	2,251,603
Minus: Cash acquired	146,556
Net cash flow for the acquisition	<u>2,105,047</u>

This acquisition was concluded in order to introduce its graphene-enhance solution products into the polymer products of Rada. There is no goodwill that is expected to be deductible for tax purposes. Since the date of acquisition, revenues and loss and comprehensive loss of Gestion RJ included in the consolidated statements of loss and comprehensive loss for the year ended June 30, 2016 amounted to \$218,278 and \$45,812, respectively. Given the unavailability of Gestion RJ's certain consolidated financial information prior to the date of acquisition, this does not allow for accurate disclosure of pro forma revenues and loss had the Company concluded these acquisition at the beginning of its fiscal year.

5. ACCOUNTS RECEIVABLE

Accounts receivable consist of:

	As at June 30,	
	2016	2015
	\$	\$
Trade receivables	317,954	1,437
Minus : Allowance for doubtful accounts	(14,286)	-
Sales tax receivable	10,779	22,244
Government assistance receivable	16,891	35,443
SR&ED tax credit receivable	58,894	-
Other receivables (Note 18)	58,933	8,333
	<u>449,165</u>	<u>67,457</u>

All of the Company's accounts receivable are short term. The net carrying value of accounts receivable is considered a reasonable approximation of fair value. The Company reviews all amounts periodically for indication

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of impairment and the amounts impaired have been provided for as allowance for doubtful accounts.

Most of the trade receivables is pledged as security for the operating loan and long-term debt (Note 11 and Note 12).

National Research Council (“NRC”)

In May 2016, the Company entered into a contribution agreement with the NRC represented by its Industrial Research Assistance Program. Upon meeting certain conditions, the NRC agreed to financially assist the Company in the project called “A Platform Technology to Produce Graphene Enhanced Epoxy Resins, Slurries, Pastes and Greases”, which qualifies for support under the federal government’s program and is also accounted for as government assistance. Under the terms and conditions of the agreement, the NRC will reimburse 80% of salary costs and 50% of contractor fees for a maximum of \$288,000 for the period from May 26, 2016 to June 9, 2017.

In May 2015, the Company entered into a contribution agreement with the NRC represented by its Industrial Research Assistance Program. Upon meeting certain conditions, the NRC agreed to financially assist the Company in the project called “A Platform Technology to Enhance Dispersibility of Graphene”, which qualifies for support under the federal government’s program and is also accounted for as government assistance. Under the terms and conditions of the agreement, the NRC will reimburse 80% of salary costs for a maximum of \$192,000 for the period from April 1, 2015 to March 31, 2016.

As part of the contribution agreements with NRC, the Company accrued government assistance as detailed below:

	Years ended June 30,	
	2016	2015
	\$	\$
Amount received during the period	189,291	122,614
Amount recognized as other income	170,739	133,370
Amount receivable	16,891	35,443

SR&ED

For the year ended June 30, 2016, the Company recognized tax credit from the Federal and Provincial government for research and development expenses of \$217,941 (2015: nil) as other income in the consolidated statement of loss and comprehensive loss. An amount of \$159,047 (2015: nil) was received during the year and \$58,894 (2015: nil) is included in the accounts receivable as at June 30, 2016.

Other

As part of another program, the Company also recognized and received during the period a contribution totaling nil (2015 – \$3,750).

Group NanoXplore Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the nine-month periods ended March 31, 2017 and 2016 (unaudited) and for the years ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

6. INVENTORY

Inventory consists of:

	As at June 30,	
	2016	2015
	\$	\$
Raw materials	122,800	3,932
Finished goods	169,352	5,805
	292,152	9,737

For the year ended June 30, 2016, a total of \$172,066 of inventories was included as an expense in cost of sales (2015: \$13,577).

The majority of inventories is pledged as security for the operating loan and long-term debt (Note 11 and Note 12).

7. INVESTMENT IN A JOINT VENTURE

On August 13, 2015, the Company purchased a 50% interest in Two Carbon Inc. ("Two Carbon") in consideration for \$50,000 and a commitment of \$50,000 of in-kind services. Two Carbon is focused on research and development of graphene solutions for the footwear industry.

This investment has been accounted for using the equity method.

	As at June 30,	
	2016	2015
	\$	\$
Balance as at July 1	-	-
Acquisition of 50% interest (at cost)	100,000	-
Share of loss and comprehensive loss of the year	(29,780)	-
	70,220	-

The following summarized financial information of Two Carbon is as follows, including fair value adjustments made at the time of the acquisition of the interests:

	Years ended June 30,	
	2016	2015
	\$	\$
Current assets	37,909	-
Cash (included in current assets)	37,909	-
Non-current assets	200,000	-
Current liabilities	-	-
Revenues	-	-
Loss and comprehensive loss	59,560	-
Depreciation	-	-

Group NanoXplore Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the nine-month periods ended March 31, 2017 and 2016 (unaudited) and for the years ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

8. INVESTMENT IN NANOPHYLL

On August 26, 2015, the Company purchased a 32% interest in Nanophyll Inc. ("Nanophyll") in consideration for a value of \$320,000 of in-kind services. Nanophyll is focused on research and development of graphene solutions applicable to the photoactive industry. The agreement was voided as the services were never rendered.

On August 28, 2015, Nanophyll completed a non-brokered private placement of 200,000 common shares for gross proceeds of \$200,000. In this financing, the Company purchased 50,000 common shares for a consideration of \$50,000. After the transactions of August 26 and August 28, 2015, the Company holds a 6% interest in Nanophyll.

On February 19, 2016, Nanophyll redeemed all shares held by the Company for a consideration \$50,000.

Group NanoXplore Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the nine-month periods ended March 31, 2017 and 2016 (unaudited) and for the years ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

9. PROPERTY, PLANT AND EQUIPMENT

	Land & Building	Production equipment	Leasehold improvements	Laboratory, computer, office equipment and rolling stock	Total
	\$	\$	\$	\$	\$
Balance as at July 1, 2016	1,550,338	1,364,232	38,333	146,613	3,099,516
Additions (unaudited)	-	433,358	5,383	37,734	476,475
Depreciation (unaudited)	(45,104)	(158,881)	(6,774)	(40,433)	(251,192)
Balance as at March 31, 2017 (unaudited)	1,505,234	1,638,709	36,942	143,914	3,324,799
As at March 31, 2017 (unaudited)					
Cost (unaudited)	1,555,375	1,843,124	76,739	239,459	3,714,697
Accumulated depreciation (unaudited)	(50,141)	(204,415)	(39,797)	(95,545)	(389,898)
Net book value (unaudited)	1,505,234	1,638,709	36,942	143,914	3,324,799
Balance as at July 1, 2015	-	88,954	19,134	90,521	198,609
Additions	-	84,052	42,500	57,937	184,489
Business Acquisition (Note 4)	1,555,375	1,232,184	-	34,719	2,822,278
Depreciation	(5,037)	(40,958)	(23,301)	(36,564)	(105,860)
Balance as at June 30, 2016	1,550,338	1,364,232	38,333	146,613	3,099,516
As at June 30, 2016					
Cost	1,555,375	1,409,765	71,355	201,725	3,238,220
Accumulated depreciation	(5,037)	(45,533)	(33,022)	(55,112)	(138,704)
Net book value	1,550,338	1,364,232	38,333	146,613	3,099,516
Balance as at July 1, 2014	-	-	-	22,597	22,597
Additions	-	93,529	28,856	81,946	204,331
Depreciation	-	(4,575)	(9,722)	(14,022)	(28,319)
Balance as at June 30, 2015	-	88,954	19,134	90,521	198,609
As at June 30, 2015					
Cost	-	93,529	28,856	109,068	231,453
Accumulated depreciation	-	(4,575)	(9,722)	(18,547)	(32,844)
Net book value	-	88,954	19,134	90,521	198,609

The majority of property, plant and equipment is pledged as security for the operating loan and long-term debt (Note 11 and Note 12).

Group NanoXplore Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the nine-month periods ended March 31, 2017 and 2016 (unaudited) and for the years ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of:

	As at June 30,	
	2016	2015
	\$	\$
Trade payables	342,509	60,466
Accrued liabilities	312,886	153,970
Payroll withholding taxes payable	24,211	-
	679,606	214,436

11. OPERATING LOAN

On May 18, 2016 and amended on June 6 and September 14, 2016, 9334-7474 Québec Inc., Gestion RJ and Rada (together "Group Rada") signed a credit facility agreement with the Toronto-Dominion Bank which authorized the Group Rada to a maximum operating loan of \$350,000, subject to a borrowing base calculation, which is primarily based on eligible accounts receivable and inventory balances. The operating loan bears interest at Canadian prime rate plus 1.50%. A first rank movable hypothec of \$2,000,000 on the universality of the Group Rada's all present and future, tangible and intangible assets has been given as security except for the equipment and rolling stock which is a 2nd rank hypothec behind Investissement Québec for a prior lien of \$1,000,000. The operating loan is subject to financial and non-financial covenants. Only the non-financial covenants are applicable as at June 30, 2016. As at June 30, 2016, all applicable covenants are respected and financial covenant will be applicable starting as at June 30, 2017. As at March 31, 2017, all non-financial covenants are respected and financial covenants will be applicable starting as at June 30, 2017 (unaudited).

Group NanoXplore Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the nine-month periods ended March 31, 2017 and 2016 (unaudited) and for the years ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

12. LONG-TERM DEBT

	As at March 31, 2017	As at June 30,	
	\$	2016	2015
	\$	\$	\$
	(unaudited)		
Reducing mortgage term loan between Group Rada and the Toronto-Dominion bank, bearing interest at 2.91% per annum (rate renewable in July 2017), maturing in June 2021 and payable in monthly instalments of \$6,865 (principal and interest).. A first rank immovable hypothec on 181, rue Brossard, Delson, Québec of the principal amount of \$1,600,000 and a first rank movable hypothec of \$2,000,000 on the universality of Group Rada's all present and future, tangible and intangible assets have been given as security except for the equipment and rolling stock which is a 2 nd rank hypothec behind Investissement Québec for a prior lien of \$1,000,000. (a)	1,214,993	1,250,000	-
Term loan between 9334-7474 Québec Inc. and Investissement Québec, bearing interest at Canadian prime rate plus 1.67% (rate renewable in June 2017), payable in monthly principal installments of \$8,333 maturing in December 2026. For the first 6 months, a moratorium of free principal capital payment has been granted. A principal movable hypothec of \$1,000,000 and an additional movable hypothec of \$200,000 on the universality of Group Rada all present and future, tangible and intangible assets have been given. (b)	974,995	1,000,000	-
Installment sale obligation between Rada industries Ltd and Royal Bank of Canada, bearing interest at 1.99% per annum, payable in monthly installments of \$570 (principal and interest) maturing in November 2018.	11,218	16,148	-
	2,201,206	2,266,148	-
Less: current portion of long-term debt	158,423	103,696	-
	2,042,783	2,162,452	-

- (a) In May 2016, effective at acquisition date and amended in September 2016, Group Rada signed a credit facility agreement with the Toronto-Dominion Bank of \$1,250,000, bearing interest at 2.91% per annum (rate renewable in July 2017), payable in monthly principal installments of \$6,865 (principal and interest) maturing in June 2021. A first rank immovable hypothec on 181, rue Brossard, Delson, Québec of the principal amount of \$1,600,000 and a first rank movable hypothec of \$2,000,000 on the universality of Group Rada's all present and future, tangible and intangible assets have been given as security except for the equipment and rolling stock which is a 2nd rank hypothec behind Investissement Québec for a prior lien of \$1,000,000. Group Rada has agreed to respect certain financial and non-financial covenants. As at June 30, 2016 and March 31, 2017 (unaudited), all non-financial covenants are respected and financial covenant will be applicable starting as at June 30, 2017.

Group NanoXplore Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the nine-month periods ended March 31, 2017 and 2016 (unaudited) and for the years ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

- (b) In June 2016, effective at acquisition date and amended in September 2016, 9334-7474 Québec Inc. signed a term loan agreement with Investissement Québec for an amount of \$1,000,000, bearing interest at Canadian prime rate plus 1.67% (rate renewable in June 2017), payable in monthly principal installments of \$8,333 maturing in December 2026. For the first 6 months, a moratorium of free principal capital payment has been granted. A principal movable hypothec of \$1,000,000 and an additional movable hypothec of \$200,000 on the universality of Group Rada all present and future, tangible and intangible assets have been given. 9334-7474 Québec Inc. has agreed to respect certain financial and non-financial covenants. As at June 30, 2016 and March 31, 2017 (unaudited), all non-financial covenants are respected and financial covenant will be applicable starting as at June 30, 2017.

In June 2016, according to the share purchase agreement signed for the acquisition of Gestion RJ, 9334-7474 Québec Inc. reimbursed in full the term loans due to Business Development Bank of Canada and Royal Bank of Canada. The amount was \$588,179.

13. CONVERTIBLE DEBENTURES

On May 20, 2016, the Company completed a private placement financing through convertible debentures (the "Debentures") for aggregate gross proceeds of \$550,000. The Debentures have the following features:

- The Debentures are set to mature on December 31, 2016 and bear interest at a fixed annual rate of 12%, payable at the maturity date;
- The Debentures holders are entitled to convert the principal amount and all accrued interest of the Debentures into common shares at a conversion price of \$18.03 per common share;
- The Debentures including the principal amount and accrued interest will be automatically converted into common shares of the Company, on the event of an equity financing of the Company or on to the maturity date, whichever happens earlier, at a conversion price equal to the equity financing or at \$18.03 per common share; subscription by Mason Graphite Inc. to 55,463 Class A common shares from the Company at a value of \$18.03 per share for a consideration of \$1,000,000 (note 23 ii) will trigger automatic conversion of the convertible debentures into common shares.
- In the event of default as defined in the Debentures, the principal amount and accrued interest will be payable in cash.

	As at June 30,	
	2016	2015
	\$	\$
Convertible debentures, bearing interest at 12% and maturing on December 31, 2016	550,000	-
Less: current portion of the convertible debentures	550,000	-
	<u>-</u>	<u>-</u>

On August 1, 2016, the Company completed a private placement financing through Debentures for aggregate gross proceeds of \$450,000 (unaudited).

On October 28, 2016, the Company completed a private placement (see Note 14) which triggered an automatic conversion of the outstanding Debentures for an aggregate amount of \$1,042,132 (including \$42,132 of accrued interests on Debentures) for a total of 57,801 Class A common shares (unaudited). Debentures have been converted at a price of \$18.03 per share (unaudited).

The Company classified the debentures as a liability instrument.

Group NanoXplore Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the nine-month periods ended March 31, 2017 and 2016 (unaudited) and for the years ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

14. SHARE CAPITAL

Authorized and issued

An unlimited number of Class A common shares, without value, which confer to each shareholder the right to vote at any shareholder meeting, receive dividends declared by the Company thereon and share the residual property upon dissolution of the Company.

Issued and outstanding shares are detailed as follows:

	Class A common shares
Balance as at July 1, 2016	1,275,511
Conversion of convertible debentures in shares (unaudited)	57,801
Issuance of shares as part of private placement (unaudited)	69,605
	<hr/>
Balance as at March 31, 2017 (unaudited)	1,402,917
	<hr/>
Balance as at July 1, 2015	1,275,511
Cancellation of shares	-
Issuance of shares	-
Issuance of shares as part of private placement	-
	<hr/>
Balance as at June 30, 2016	1,275,511
	<hr/>
Balance as at July 1, 2014	100
Cancellation of shares	(100)
Issuance of shares	1,000,000
Issuance of shares as part of private placement	275,511
	<hr/>
Balance as at June 30, 2015	1,275,511
	<hr/>

On December 15, 2014, the Company purchased for cancellation 100 Class A common shares for no consideration. On the same date, the Company issued 1,000,000 Class A common shares for no consideration.

On December 23, 2014, the Company completed the first tranche of the non-brokered private placement ("Private Placement") of 275,511 Class A common shares for gross proceeds of \$2,725,000. For the first tranche, the Company issued 133,789 Class A common shares for gross proceeds of \$1,475,000. On June 19, 2015, the Company completed the second tranche of the Private Placement and issued 141,722 Class A common shares for a consideration of \$1,250,000. The Company paid \$10,000 in private placement issuance costs.

On October 28, 2016, the Company completed a non-brokered private placement of 125,068 Class A common shares for gross proceeds of \$2,255,000 of which \$1,000,000 arose from the conversion of the Debentures representing 55,463 Class A common shares (unaudited). Accrued interests of \$42,132 from the Debentures have also been converted into 2,338 Class A common shares (unaudited). In this non-brokered private placement, Mason Graphite Inc., which has a significant influence on the Company, and therefore a related party, purchased 55,463 Class A common shares for gross proceeds of \$1,000,000 (unaudited). The Company paid \$5,978 in private placement issuance costs (unaudited).

Group NanoXplore Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the nine-month periods ended March 31, 2017 and 2016 (unaudited) and for the years ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

On December 19, 2014, the Company approved an incentive stock option plan (the "Plan") whereby the Company can grant to employees, directors, officers and consultants options to purchase shares of the Company. The Plan provides for the issuance of stock options to acquire up to 127,551 common shares of the Company's issued and outstanding capital. Under certain circumstances, the maximum number of common shares issuable under the Plan could be adjusted. The terms and conditions of each option granted under the Plan will be determined by the Board of Directors. Options will be priced in the context of the market and in compliance with applicable securities laws guidelines. Consequently, the exercise price for any stock option shall not be lower than the market price of the underlying common shares at the time of grant.

15. STOCK OPTIONS

The Company has an incentive stock option plan (the "Plan") whereby the Company can grant to employees, directors, officers and consultants options to purchase shares of the Company. The Plan provides for the issuance of stock options to acquire up to 127,551 of the Company's issued and outstanding capital. The terms and conditions of each option granted under the Plan, including the vesting schedule and the expiry date, will be determined by the Board of Directors. The exercise price for any stock option shall be determined by the Board of Directors and shall not be lower than the market price of the underlying common shares at the time of grant.

On October 23, 2015, the Company granted 22,000 options to directors, officers and employees of the Company. The weighted average fair value of options granted, as estimated at the time of the grant, was \$4.55. This was calculated using the Black-Scholes option pricing model with the following assumptions: option exercise price of \$9.80, estimated life of five years, risk-free interest rate of 0.84%, volatility of 54% (based historical volatility of similar publicly traded companies in the graphene and graphene composites manufacturing sector), forfeiture rate of nil, and nil forecasted dividend yield. The vesting period is: one third upon grant, one third after one year upon grant and the last third after two years upon grant.

On February 15, 2016, the Company granted 4,000 options to an officer and an employee of the Company. The weighted average fair value of options granted, as estimated at the time of the grant, was \$4.52. This was calculated using the Black-Scholes option pricing model with the following assumptions: option exercise price of \$9.80, estimated life of five years, risk-free interest rate of 0.59%, volatility of 54% (based historical volatility of similar publicly traded companies in the graphene and graphene composites manufacturing sector), forfeiture rate of nil, and nil forecasted dividend yield. The vesting period is: one third upon grant, one third after one year upon grant and the last third after two years upon grant.

On March 7, 2016, the Company granted 13,000 options to an officer of the Company. The weighted average fair value of options granted, as estimated at the time of the grant, was \$4.55. This was calculated using the Black-Scholes option pricing model with the following assumptions: option exercise price of \$9.80, estimated life of five years, risk-free interest rate of 0.72%, volatility of 54% (based historical volatility of similar publicly traded companies in the graphene and graphene composites manufacturing sector), forfeiture rate of nil, and nil forecasted dividend yield. The vesting period is: one third upon grant, one third after one year upon grant and the last third after two years upon grant.

On May 1, 2016, the Company granted 4,000 options to employees of the Company. The weighted average fair value of options granted, as estimated at the time of the grant, was \$4.56. This was calculated using the Black-Scholes option pricing model with the following assumptions: option exercise price of \$9.80, estimated life of five years, risk-free interest rate of 0.87%, volatility of 54% (based on similar publicly traded companies listed on stock market), forfeiture rate of nil, and nil forecasted dividend yield. The vesting period is: one third upon grant, one third after one year upon grant and the last third after two years upon grant.

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(Expressed in Canadian dollars)

On January 2, 2017, the Company granted 7,000 options to officer and employee of the Company (unaudited). The weighted average fair value of options granted, as estimated at the time of the grant, was \$8.09 (unaudited). This was calculated using the Black-Scholes option pricing model with the following assumptions: option exercise price of \$18.03, estimated life of five years, risk-free interest rate of 1.11%, volatility of 51% (based on historical volatility of similar publicly traded companies in the grapheme and grapheme composites manufacturing sector), forfeiture rate of nil, and no forecasted dividend yields (unaudited). The vesting period for 7,000 options is one third upon grant, one third after one year upon grant, and the last third after two years upon grant (unaudited).

The following table reflects the continuity of options for the nine-month periods ended March 31, 2017:

	<u>Number of options</u>	<u>Weighted average exercise price</u>
Balance as at July 1, 2016	41,000	\$9.80
Granted (unaudited)	7,000	\$18.03
Cancelled (unaudited)	-	-
Forfeited (unaudited)	-	-
Balance as at March 31, 2017 (unaudited)	48,000	\$11.00

As at March 31, 2017, the Company had the following options outstanding:

<u>(unaudited)</u>		
<u>Number</u>	<u>Weighted average exercise price</u>	<u>Weighted average remaining contractual life (years)</u>
48,000	\$11.00	3.91

The following table reflects the continuity of options for the period ended June 30, 2016:

	<u>Number of options</u>	<u>Weighted average exercise price</u>
Balance as at July 1, 2015	-	-
Granted	43,000	9.80
Cancelled	(666)	9.80
Forfeited	(1,334)	9.80
Balance as at June 30, 2016	41,000	\$9.80

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For the nine-month periods ended March 31, 2017 and 2016 (unaudited) and for the years ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

As at June 30, 2016, the Company had the following options outstanding:

Options outstanding as at June 30, 2016		
Number	Weighted average exercise price	Weighted average remaining contractual life (years)
41,000	\$9.80	4.52

As at June 30, 2016, the total compensation cost related to unvested options not yet recognized amounted to \$78,405 (2015: nil). This amount is expected to be recognized over a weighted average period of 1.63 years (2015: nil). Share-based compensation costs for the year ended June 30, 2016 totaled \$108,065 included in the statements of loss and comprehensive loss (2015: nil).

16. LOSS PER SHARE

	For the nine-month periods ended March 31,		Years ended June 30,	
	2017	2016	2016	2015
	(unaudited)	(unaudited)		
Loss attributable to common shares	<u>\$1,591,657</u>	<u>\$811,717</u>	<u>\$1,487,256</u>	<u>\$826,539</u>
Weighted average number of common shares	<u>1,346,292</u>	<u>1,275,511</u>	<u>1,275,511</u>	<u>1,071,973</u>
Loss per share – basic and diluted	<u>\$1.18</u>	<u>\$0.64</u>	<u>\$1.17</u>	<u>\$0.77</u>

The effect of potential issuances of shares under options and convertible debentures would be anti-dilutive for the years ended June 30, 2016 and 2015 and for the nine-month periods ended March 31, 2017 and 2016 (unaudited), and accordingly, basic and diluted losses per share are the same.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(Expressed in Canadian dollars)

17. INCOME TAXES

Reconciliation of the effective tax rates is as follows:

	Year ended June 30,	
	2016	2015
	\$	\$
Statutory tax rate	18.5%	18.5%
Loss for the year	1,491,249	826,539
Tax recovery at statutory rate	275,881	157,042
Permanent differences	(28,431)	(1,182)
Effect of difference of foreign tax rates compared to Canadian tax rates	42,011	2,967
Tax effect of unrecognized temporary difference and tax losses	(285,468)	(158,827)
Net tax recovery	3,993	-

Net unrecognized deductible temporary differences for which no deferred taxes have been recognized amount to \$467,524 (2015 – \$192,075). Deferred tax assets have not been recognized because at this stage of the Company's development, it is not determinable that taxable profit will be available against which the Company can utilize deferred income tax assets.

As at June 30, 2016 and 2015, significant components of the Company's deferred income tax assets (not recognized) are as follows:

	2016	2015
	\$	\$
Deferred income tax assets		
Property, plant and equipment	20,189	5,242
Share issue costs	3,491	1,632
Operating losses carried forward	421,809	185,201
Research and Development	18,029	-
Investment in subsidiary	4,006	-
Total deferred income tax assets	467,524	192,075

As at June 30, 2016 and 2015, the significant component of the Company's deferred income tax liabilities is the property, plant and equipment.

As at June 30, 2016, expiration dates of losses available in Canada to reduce future years' income for tax purposes are:

	Federal	Provincial
	\$	\$
2036	978,587	977,288
2035	557,894	728,701
2034	91,926	88,958
2033	10,702	10,702
2032	2,736	2,736
		(28)

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2029	25,829	25,829
2028	12,253	12,253
Total	1,679,927	1,846,467

As at June 30, 2016, the Company had also accumulated non-capital losses for tax purposes in Germany of approximately \$331,161 (2015 – \$22,765) which can be used to reduce taxable income in the future with no expiration date.

18. RELATED PARTY TRANSACTIONS

During the years ended June 30, 2016 and 2015, the Company entered into the following transactions with related parties:

- Incurred royalties revenues from Mason Graphite Inc. of \$50,000 (2015 – \$58,333); Mason Graphite Inc. is a shareholder of the Company with significant influence;
- Incurred laboratory services revenues from Mason Graphite Inc. of \$32,500 (2015: nil) (the Company has a significant influence on NanoXplore);
- Purchase raw materials from Mason Graphite Inc. of \$5,778 (2015: \$712) (the Company has a significant influence on NanoXplore);
- Incurred laboratory services revenues from Two Carbon Inc. of \$50,000 (2015: nil). The Company has a joint control over Two Carbon Inc. as described in Note 7.

The Company and Mason Graphite Inc. have signed a sales and marketing agency agreement including the following provisions:

- a. Mason Graphite Inc. will receive a 5% commission of the gross revenues received by the Company from third parties introduced by Mason Graphite Inc.; and
- b. Mason Graphite Inc. has first right of refusal to provide the required graphite to the Company for graphene production at a price to be negotiated between the parties and will receive 4% commission on the purchase price paid by the Company for graphite sourced by Mason Graphite Inc. from third parties.

As at June 30, 2016, the balance receivable from the related parties amounted to \$58,333 (2015 – \$108,263) and is included in other receivables (2015 – \$8,333). The amounts outstanding are non-interest-bearing, unsecured and receivable on demand.

The remuneration of directors and key management personnel during the year was as follows:

	Years ended June 30,	
	2016	2015
	\$	\$
Consulting fees, wages and salaries	287,661	352,798
Share-based compensation - Management	59,518	-
Share-based compensation – Director	9,256	-
	356,435	352,798

Group NanoXplore Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the nine-month periods ended March 31, 2017 and 2016 (unaudited) and for the years ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

Key management employees are subject to employment agreements which provide for market standard payments on termination of employment without cause providing for payments of between six months to a year of base salary. In the event of a change of control, payments to key management employee range between two to five times base salary as well as acceleration clauses on unvested stock options.

In accordance with IAS 24, Related Party Disclosures, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

19. COMMITMENTS

The Company's financial commitments consist of lease agreements covering its offices and a vehicle lease.

	As at June 30, 2016
	<u>\$</u>
Within 1 year	135,638
1 to 5 years	629,800

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is determined by reference to the available market information at the reporting date. When no active market exists for a financial instrument, the Company determines the fair value of that instrument based on valuation methodologies as discussed below. In determining assumptions required under a valuation model, the Company primarily uses external, readily observable market data inputs. Assumptions or inputs that are not based on observable market data incorporate the Company's best estimates of market participant assumptions, and are used when external data is not available. Counterparty credit risk and the Company's own credit risk are taken into account in estimating the fair value of all financial assets and financial liabilities.

The following assumptions and valuation methodologies have been used to measure fair value of financial instruments:

- (i) The fair value of its short-term financial assets and financial liabilities, including cash, accounts receivable, operating loan, trade and accrued liabilities and convertible debentures approximates their carrying value due to the short-term maturities of these instruments;
- (ii) The fair value of long-term debt are estimated based on discounted cash flows using current interest rate for instruments with similar terms and remaining maturities.

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(Expressed in Canadian dollars)

The carrying values and fair values of financial instruments, by class, are as follows as at June 30, 2016 and 2015:

As at June 30, 2016			Carrying value	Fair value
	Loans and receivables	Financial liabilities at amortized cost	Total	Total
	\$	\$	\$	\$
Financial assets				
Cash	1,167,042	-	1,167,042	1,167,042
Trade and other receivables	362,601	-	362,601	362,601
Total	1,529,643	-	1,529,643	1,529,643
Financial liabilities				
Operating loan	-	255,000	255,000	255,000
Trade and accrued liabilities	-	655,395	655,395	655,395
Long-term debt	-	2,266,148	2,266,148	2,266,148
Convertible debentures	-	550,000	550,000	550,000
Total	-	3,726,543	3,726,543	3,726,543

As at June 30, 2015			Carrying value	Fair value
	Loans and receivables	Financial liabilities at amortized cost	Total	Total
	\$	\$	\$	\$
Financial assets				
Cash	2,295,786	-	2,295,786	2,295,786
Trade and other receivables	9,770	-	9,770	9,770
Total	2,305,556	-	2,305,556	2,305,556
Financial liabilities				
Trade payables and accrued liabilities	-	214,436	214,436	214,436
Total	-	214,436	214,436	214,436

The carrying values and fair values of financial instruments are as follows as at March 31, 2017:

As at March 31, 2017 (unaudited)	Carrying Value	Fair value
	\$	\$
Financial liabilities		
Long-term debt	2,201,206	2,201,206

Group NanoXplore Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(Expressed in Canadian dollars)

21. FINANCIAL INSTRUMENTS

The Company's risk exposures and the impact on the Company's financial instruments are summarized below.

Fair value risk

IFRS requires that the Company disclose information about the fair value of its financial assets and financial liabilities. Fair value estimates are made based on relevant market information and information about the financial instrument.

These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying amounts for cash, accounts receivable, accounts payable and accrued liabilities, long-term debt within one year, operating loan and convertible debentures on the consolidated statement of financial position approximate their fair values because of the limited terms of these instruments.

As at June 30, 2016 and March 31, 2017 (unaudited), the fair value of the long-term debt approximates its carrying values.

IFRS 7, Financial Instruments: Disclosures, requires classification of fair value measurements for financial instruments carried at fair value using a fair value hierarchy that reflects the significance of inputs used in making the measurements. As at June 30, 2016 and March 31, 2017 (unaudited), the Company has no financial instruments carried at fair value.

Credit risk

Credit risk refers to the possibility that a customer or counterparty will fail to fulfill its obligations under a contract and, as a result, create a financial loss for the Company. The Company has a credit policy that defines standard credit practice. This policy dictates that all new customer accounts be reviewed prior to approval and establishes the maximum amount of credit exposure per customer. The creditworthiness and financial well-being of the customer are monitored on an ongoing basis.

The Company establishes an allowance for doubtful accounts as determined by management based on its assessment of collection; therefore, the carrying amount of accounts receivable generally represents the maximum credit exposure. As at June 30, 2016 and 2015, the Company has an allowance for doubtful accounts of \$14,286 and nil respectively. The provision for doubtful accounts, if any, is included in the consolidated statements of loss and comprehensive loss.

The majority of the Company's cash is held in accounts with Canadian banks. The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to these financial instruments is remote.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company's accounts payable and accrued liabilities and have contractual maturities of less than 60 days and are subject to normal trade terms. The convertible debentures mature on December 31 2016 is subject to an automatic conversion unless certain events of default occur which would trigger the cash reimbursement of full nominal amount of debentures plus accrued interests. The long-term debt has maturities up to 20 years including moratorium of 6 months. The Company regularly evaluates its cash position to ensure preservation and security of capital and maintain liquidity. As at June 30, 2016 and considering the subsequent additional convertible debentures issued and the commitment letter signed by Mason Graphite Inc. to subscribe to Class A common shares from the Company (described in Note 23), and the related automatic conversion of all

Group NanoXplore Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(Expressed in Canadian dollars)

outstanding convertible debentures, management estimates that funds available are sufficient to meet the Company's obligation and budgeted expenditures through at least June 30, 2017.

The Company's subsidiaries' long term debt and operating loan are subject to a financial covenant starting as at June 30, 2017, which is a debt service coverage ratio. In order to comply with its covenant, the Company has prepared a plan and will need to execute on its EBITDA and cash flow estimates. Management believes that the assumptions used in preparing its estimates are reasonable.

The Company has also provided unlimited suretyship and subordination on the long-term debt and operating loan of its subsidiaries.

The following table reflects the contractual maturity of the Company's financial liabilities as at June 30, 2016 (capital and interests payments):

	As at June 30, 2016					
	Carrying amount	1 year	2-3 years	4-5 years	Later than 5 years	Total
	\$	\$	\$	\$	\$	\$
Operating loan	255,000	255,000	-	-	-	255,000
Trade and accrued liabilities	655,395	655,395	-	-	-	655,395
Long-term debt	2,266,148	175,640	439,463	1,657,766	616,944	2,889,813
Convertible debentures	550,000	583,000	-	-	-	583,000
Total	3,726,543	1,669,035	439,463	1,657,766	616,944	4,383,208

Interest rate risk

Interest rate risk refers to the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company's policy is to limit its exposure to interest rate risk fluctuation by ensuring that a reasonable portion of its long-term debt and convertible debentures are at fixed rate. The Company is exposed to interest rate fluctuations on its operating loan and term loan with Investissement Québec, which bears a floating interest rate. A 1% increase/decrease in interest rates would have an impact of \$12,550 on the Company's net loss and comprehensive loss.

The Company's cash balances are non-bearing interest.

The Company's accounts payable and accrued liabilities are non-interest bearing.

Foreign currency risk

The Company is exposed to currency risk by incurring certain expenditures and revenues in currencies other than the Canadian dollar. The Company has determined that there is limited currency risk at this time.

As at June 30, 2016, almost all of the Company's cash balances were held in Canadian dollars, except for an amount of \$29,601 which is held in euros and \$143 which is held in \$US. Assuming that all other variables are constant, a variation of 10% in the Canadian dollar exchange rate would generate an impact of approximately \$2,077 in net loss and comprehensive loss.

As at June 30, 2016, the Company has accounts payable and accrued liabilities that are labeled in euros and US dollars. Assuming that all other variables are constant, a variation of 10% in the Canadian dollar exchange rate would generate an impact of approximately \$1,041 in net loss and comprehensive loss.

Group NanoXplore Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(Expressed in Canadian dollars)

The Company does not use derivatives to mitigate its exposure to foreign currency risk.

The Company does not have other significant monetary assets and liabilities in currencies other than its functional currency.

22. OPERATING SEGMENTS

Our Chief Operating Decision Maker analyses the information for the Company as a whole on a consolidated basis only and as such as, only one operating segment.

For the years ended June 30, 2016 and 2015, all of our revenues are generated from our activities in Canada, and come from one operating segments, namely the enhanced plastics solutions.

Substantially all of our long lived assets are physically in Canada as at June 30, 2016. One distributor represents 39% of the sales of products for the year ended June 30, 2016 (nil for 2015).

For the nine-month periods ended March 31, 2017 and 2016, all of our revenues are generated from our activities in Canada, and come from one operating segments, namely the enhanced plastics solutions (unaudited).

Substantially all of our long lived assets are physically in Canada as at March 31, 2017 (unaudited).

Three customers represent 58% of the sales of products for the nine-month period ended March 31, 2017 (nil in 2016) (unaudited).

Group NanoXplore Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the nine-month periods ended March 31, 2017 and 2016 (unaudited) and for the years ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

23. SUBSEQUENT EVENTS

On June 6, 2017, Graniz Mondal Inc. ("Graniz") signed a letter of intent with the Company, pursuant to which Graniz and the Company intend to complete a business combination (the "Proposed Transaction"), in accordance with Policy 5.2 of TSX Venture Exchange (the "Exchange").

Concurrently with the completion of the Proposed Transaction, expected to be completed in August 2017, Graniz and the Company entered into an Amalgamation Agreement pursuant to which Graniz will acquire all the issued and outstanding common shares of the Company. Pursuant to the terms and conditions of the Amalgamation Agreement, under which it will issue 56,210,252 common shares to the Company's shareholders, reflecting an exchange ratio of 1:1 (on a post consolidation basis), at a deemed price of \$0.45 per share and will thereafter continue the Company's commercial and engineering activities as NanoXplore Inc. The capital structure of NanoXplore Inc. will be unchanged from the Graniz's current capital structure, other than for the issuance of the shares contemplated by the Proposed Transaction. This transaction will result in a reverse takeover of Graniz by the Company, whereby the Company will be deemed to have acquired control of Graniz through the deemed issuance of 1,412,939 common shares (on a post consolidation basis) to Graniz's shareholders based on Graniz's net assets as at March 31, 2017.

Prior to the closing of the Proposed Transaction, Graniz will complete the consolidation of its common shares on the basis of one Graniz Post-Consolidation Share for every 15 Graniz common shares outstanding. Graniz's outstanding options will be replaced by 141,293 post consolidation new options of the Resulting Issuer at an exercise price of \$0.45 per share.

Prior to the closing of the Proposed Transaction, the Company will complete the conversion of its common shares on the basis of one to 40.0667 common shares outstanding. Related adjustments will be brought to the Company's outstanding options.

The Proposed Transaction constitutes a reverse takeover of Graniz but does not meet the definition of a business combination under IFRS 3, Business Combinations. Accordingly, the Company will account for the reverse takeover transaction in accordance with IFRS 2, Share-based Payment.

The completion of the transaction described in this note is subject to the satisfaction of a number of conditions, including a due diligence by both parties, a private placement and the receipt of all requisite regulatory, corporate and shareholder approvals, including that of the TSX-Venture Exchange. There can be no assurance that the Proposed Transaction will be completed as proposed or at all.

On August 2, 2017, NanoXplore has completed in connection with the Proposed Transaction a brokered private placement financing of subscription receipts ("Subscription Receipts") sold at a price of \$0.45 per Subscription Receipt for gross proceeds of \$9,697,082.

On August 10, 2017, at the Special Meeting of NanoXplore, the shareholders approved the conversion of its common shares on the basis of one to 40.0667 common shares outstanding and approved the Amalgamation agreement.

SCHEDULE "C" UNAUDITED PRO FORMA FORECAST

NanoXplore Inc.

Unaudited Pro Forma Consolidated Financial Statements

March 31, 2017

**UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
OF NANOXPLORE INC.**

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NanoXplore Inc.

Pro Forma Consolidated Statement of Financial Position

As at March 31, 2017

(Unaudited)

(Expressed in Canadian dollars)

	Graniz Mondal Inc.	Group NanoXplore Inc.	Pro Forma Adjustments	Note 4	NanoXplore Inc. Consolidated
	<u>\$</u>	<u>\$</u>	<u>\$</u>		<u>\$</u>
Assets					
Current assets					
Cash	5,335	933,064	(25,000)	(a)	8,088,899
			(127,500)	(c)	
			7,303,000	(e)	
Accounts receivable	398	509,795	-		510,193
Inventory	-	308,484	-		308,484
Prepaid expenses	4,693	24,953	-		29,646
Lease deposit	-	751	-		751
	<u>10,426</u>	<u>1,777,047</u>	<u>7,150,500</u>		<u>8,937,973</u>
Non-current assets					
Lease deposit	-	25,850	-		25,850
Investment in a joint venture	-	65,220	-		65,220
Property, plant and equipment	1,014	3,324,799	-		3,325,813
Mining properties	385,234	-	(384,317)	(b)	917
Exploration and evaluation assets	<u>274,960</u>	<u>-</u>	<u>(274,960)</u>	(b)	<u>-</u>
Total assets	<u>671,634</u>	<u>5,192,916</u>	<u>6,491,223</u>		<u>12,355,773</u>
Liabilities					
Current liabilities					
Operating loan	-	205,000	-		205,000
Accounts payable and accrued liabilities	104,362	633,457	(64,726)	(a)	633,457
			(39,636)	(b)	
Income tax payable	-	5,657	-		5,657
Long-term debt due within one year	-	158,423	-		158,423
Promissory notes	437,000	-	(272,000)	(a)	-
			(165,000)	(b)	
	<u>541,362</u>	<u>1,002,537</u>	<u>(541,362)</u>		<u>1,002,537</u>
Non-current liabilities					
Long-term debt	-	2,042,783	-		2,042,783
Deferred income taxes liabilities	-	359,114	-		359,114
Total Liabilities	<u>541,362</u>	<u>3,404,434</u>	<u>(541,362)</u>		<u>3,404,434</u>

NanoXplore Inc.

Pro Forma Consolidated Statement of Financial Position

As at March 31, 2017

(Unaudited)

(Expressed in Canadian dollars)

	Graniz Mondal Inc.	Group NanoXplore Inc.	Pro Forma Adjustments	Note 4	NanoXplore Inc. Consolidated
	<u>\$</u>	<u>\$</u>	<u>\$</u>		<u>\$</u>
Equity attributable to NanoXplore Inc.'s shareholders					
Share capital	3,800,036	5,705,879	340,000 (a) (3,800,036) (c) 635,823 (c) 52,000 (c) 160,629 (d) 7,145,167 (e)		14,039,498
Reserves	210,048	186,584	(210,048) (c) 12,721 (c) 72,241 (c) (160,629) (d) 157,833 (e)		268,750
Deficit	(3,879,812)	(4,103,981)	(454,641) (b) 4,334,453 (c) (1,252,928) (c)		(5,356,909)
Total equity	<u>130,272</u>	<u>1,788,482</u>	<u>7,032,585</u>		<u>8,951,339</u>
Total liability and equity	<u>671,634</u>	<u>5,192,916</u>	<u>6,491,223</u>		<u>12,355,773</u>

The above pro forma consolidated statement of financial position assumes that the minimum amount of the private placement described in note 4 (e) will be completed. If the maximum gross proceeds of \$15,000,000 are obtained, the pro forma cash balance, total assets and total equity would amount to \$14,590,899, \$18,857,773 and \$15,453,339, respectively.

NanoXplore Inc.

Notes to the Pro Forma Consolidated Financial Statements

As at March 31, 2017

(Unaudited)

(Expressed in Canadian dollars)

1 Basis of presentation

The unaudited pro forma consolidated financial statements (the “Pro Forma Financial Statements”) have been prepared by the management of NanoXplore Inc. (“NanoXplore” or the “Company”) for their inclusion in the filing statement of Graniz Mondal Inc. (“Graniz”) dated July 31, 2017 (the “Filing Statement”) prepared in connection with the acquisition by Graniz of all NanoXplore’s issued and outstanding common shares (the “Transaction”). The acquisition is subject to a number of conditions including, among other things, regulatory approval and concurrent completion of a private placement financing.

The Pro Forma Financial Statements have been prepared for illustrative purposes only and give effect to the proposed Transaction as defined in Note 3 and pursuant to the assumptions and adjustments described in Note 4. The unaudited pro forma consolidated statement of financial position as at March 31, 2017 gives effect to the proposed Transaction as if it had occurred as at March 31, 2017.

The Pro Forma Financial Statements are not necessarily indicative of the financial position that would have been achieved if the proposed Transaction had been completed on the date presented, nor do they claim to project the financial position of the entity as of any future date. Any potential synergies that may be realized and integration costs that may be incurred upon completion of the proposed Transaction, if successful, have been excluded from the Pro Forma Financial Statements.

In preparing the unaudited pro forma consolidated statement of financial position as at March 31, 2017, the following historical information, which was prepared in accordance with International Financial Reporting Standards (“IFRS”), was used:

- (i) the unaudited statement of financial position of NanoXplore as at March 31, 2017;
- (ii) the audited statement of financial position of Graniz as at March 31, 2017.

The Pro Forma Financial Statements should be read in conjunction with: (i) the description of the Transaction in the Filing Statement, and (ii) the historical financial statements, together with the notes thereto, of NanoXplore and Graniz referred to above which are included in the Filing Statement.

In the opinion of the Company’s management, these Pro Forma Financial Statements include all adjustments necessary for a fair presentation of the transactions described in the notes to the Pro Forma Financial Statements and applied on a basis consistent with NanoXplore’s accounting policies.

2 Significant accounting policies

The accounting policies used in preparing the Pro Forma Financial Statements are set out in NanoXplore’s audited financial statements for the year ended June 30, 2016, which have been prepared in accordance with IFRS as issued by the IASB. In preparing the Pro Forma Financial Statements, a review of publicly available information was undertaken to identify accounting policy differences between NanoXplore and Graniz. While management believes that the significant accounting policies of NanoXplore and Graniz are consistent in all material respects, accounting policy differences may be identified upon completion of the proposed Transaction.

Certain assets, liabilities and expenses of Graniz have been reclassified to conform to NanoXplore’s financial statements presentation.

NanoXplore Inc.

Notes to the Pro Forma Consolidated Financial Statements

As at March 31, 2017

(Unaudited)

(Expressed in Canadian dollars)

3 Agreement and related transactions

Graniz and NanoXplore intend to enter on or about August 11, 2017, into an Amalgamation Agreement pursuant to which Graniz will acquire all the issued and outstanding common shares of NanoXplore. Pursuant to the terms and conditions of the Amalgamation Agreement, under which it will issue 56,210,252 common shares to NanoXplore's shareholders, reflecting an exchange ratio of 1:1, at a deemed price of \$0.45 per share and will thereafter continue NanoXplore's commercial and engineering activities as the Resulting Issuer. The capital structure of the Resulting Issuer will be unchanged from the Graniz's current capital structure, other than for the issuance of the shares contemplated by the Transaction. This transaction will result in a reverse takeover of Graniz by NanoXplore, whereby NanoXplore will be deemed to have acquired control of Graniz through the deemed issuance of 1,412,939 common shares (on a post consolidation basis) to Graniz's shareholders based on Graniz's net assets as at March 31, 2017.

Prior to the closing of the Transaction, Graniz will complete the consolidation of its common shares on the basis of one Graniz Post-Consolidation Share for every 15 Graniz common shares outstanding. Graniz's outstanding options will be replaced by 141,293 post consolidation new options of the Resulting Issuer at an exercise price of \$0.45 per share.

Prior to the closing of the Transaction, NanoXplore will complete the conversion of its common shares on the basis of one to 40.0667 common shares outstanding. Related adjustments will be brought to NanoXplore's outstanding options.

The Transaction constitutes a reverse takeover of Graniz but does not meet the definition of a business combination under IFRS 3, *Business Combinations*. Accordingly, NanoXplore will account for the reverse takeover transaction in accordance with IFRS 2, *Share-based Payment*.

The completion of the Transaction is subject to the satisfaction of a number of conditions, including a due diligence by both parties, a private placement described hereinafter and the receipt of all requisite regulatory, corporate and shareholder approvals, including that of the TSX-Venture Exchange. There can be no assurance that the Transaction will be completed as proposed or at all.

Graniz intends to seek shareholder approval to change its name and operate under the name NanoXplore Inc. following the Transaction.

Outstanding debts of Graniz due to related parties amounting to \$336,726 as at March 31, 2017 and additional transaction costs to be incurred by Graniz after March 31, 2017 capped at \$28,274 will be funded by advances from a director which shall be respectively converted into 748,280 and 7,276 common shares in the share capital of the Resulting Issuer, at a deemed value of \$0.45 per common share and cash of \$25,000.

Graniz shall return the 75% option on Mousseau West property to the owners and accordingly, the outstanding debt and accrued interest amounting to \$204,636 as at March 31, 2017 relating to the property shall be deemed forgiven. There is no other consideration to be paid.

An advisory fees shall be payable to certain advisors of Graniz and NanoXplore through the issuance of 115,556 common shares of the Resulting Issuer at a deemed price of \$0.45 per common share and a total of 466,667 options of the Resulting Issuer at an exercise price of \$0.45 per common share and expiring after a period of 36 months after the closing the Transaction.

Pursuant to the Proposed Transaction, substantially all in-the-money options of NanoXplore existing as at March 31, 2017 will be converted on a cashless basis into 694,981 common shares in the share capital of the Resulting Issuer, at a deemed value of \$0.45 per common share and the remaining options of NanoXplore existing as at March 31, 2017 will be converted into 400,667 options of the Resulting Issuer at a weighted-average exercise price of \$0.39 per common share reflecting the exchange ratio of 40.0667:1.

NanoXplore Inc.

Notes to the Pro Forma Consolidated Financial Statements

As at March 31, 2017

(Unaudited)

(Expressed in Canadian dollars)

Concurrent to the Proposed Transaction, NanoXplore shall have completed a brokered private placement for a minimum of \$8,000,000 and a maximum of \$15,000,000 (the "Private Placement"). In consideration of said minimum amount, the Resulting Issuer will issue 17,777,778 subscription receipts at a price of \$0.45 per subscription receipt (the "Subscription Receipts"). At closing of the Proposed Transaction, each Subscription Receipt will automatically be exchanged, at no cost, for one common share and one half common share purchase warrant ("Warrant") of the Resulting Issuer. Each Warrant will entitle the holder thereof to acquire one additional common share of the Resulting Issuer at a price of \$0.70 for a period of 24 months from the closing date. The Resulting Issuer will use the proceeds of the Private Placement to fund its working capital and its commercial and engineering activities. NanoXplore has executed an engagement letter dated May 24, 2017 ("Engagement Letter") with Paradigm Capital (the "Agent"), as lead agent in connection with the concurrent Private Placement. Under the terms of the Engagement Letter, the Agent has been appointed to act as agent in connection with the concurrent Private Placement on a "best efforts" basis. The Agent will receive a commission of 7% of the aggregate gross proceeds placed under the concurrent Private Placement payable in cash. The Agent will also be granted broker warrants of the Resulting Issuer ("Broker warrants") to acquire that number of Resulting Issuer common shares equal to 7% of the total number of Subscription Receipts sold under the concurrent Private Placement, exercisable at the concurrent financing price per Resulting Issuer common share, for a period of 24 months from the closing date of the concurrent Private Placement

The assets and the liabilities acquired are to be recorded at their estimated fair market values at the time of the closing of the Transaction and are based on preliminary management estimates. As such, the preliminary estimates of the consideration paid and the net assets acquired, which are subject to change, are summarized as follows:

Consideration deemed paid	\$
1,412,939 common shares deemed issued to Graniz current shareholders ⁽¹⁾⁽²⁾	635,823
141,293 options deemed issued to Graniz current directors and officers ⁽³⁾	12,721
748,280 common shares issued for settlement of the due to related parties as at March 31, 2017 (Note 4 (a)) ⁽²⁾	336,726
7,276 common shares issued for settlement of Graniz transaction costs to be incurred after March 31, 2017	3,274
<i>Transaction Costs</i>	
115,556 shares issued to NanoXplore's advisors ⁽²⁾	52,000
400,000 options issued to NanoXplore's advisors ⁽⁴⁾	61,921
66,667 options issued to Graniz's advisors ⁽⁴⁾	10,320
Estimated transaction costs to be paid in cash, including Graniz transaction costs to be incurred after March 31, 2017	<u>152,500</u>
	<u>1,265,285</u>

NanoXplore Inc.

Notes to the Pro Forma Consolidated Financial Statements

As at March 31, 2017

(Unaudited)

(Expressed in Canadian dollars)

Net assets deemed acquired:	\$
Net assets of Graniz as at March 31, 2017	130,272
Settlement of due to related parties by issuance of shares (Note 4 (a))	336,726
Return of the option on the Mousseau West property (Note 4 (b))	(659,277)
Forgiveness of the liabilities related to the option on the Mousseau West property (Note 4(b))	<u>204,636</u>
Graniz's <i>pro forma</i> net assets as at March 31, 2017	<u>12,357</u>
Listing expense	<u>1,252,928</u>

- (1) Based on the post-consolidation Graniz common shares outstanding as at March 31, 2017.
- (2) The price of the Resulting Issuer shares is based on the pricing of the concurrent private placement, debt conversions and cashless exercise of NanoXplore's in-the-money options.
- (3) Based on the 141,293 post consolidation new options to be issued in replacement of the Graniz common share options outstanding as at March 31, 2017. The fair value of the common share options was estimated using the Black-Scholes option pricing model based on the following weighted average assumptions: risk-free interest rate of 0.66%, average projected volatility of 50%, dividend yield of 0%, average expected life of common share options of 12 months, reflecting the departure of all Graniz directors and officers and the proposed amendment to the stock option plan, and fair value of the Resulting Issuer's share of \$0.45.
- (4) The fair value of the common share options was estimated using the Black-Scholes option pricing model based on the following weighted average assumptions: risk-free interest rate of 0.90%, average projected volatility of 50%, dividend yield of 0%, average expected life of common share options of 3 years and fair value of the Resulting Issuer's share of \$0.45.

4 Pro forma adjustments

The Pro Forma Financial Statements include the following assumptions and adjustments to give effect to the Transaction:

- a. To record the conversion of \$336,726 of Graniz's outstanding debts as at March 31, 2017 and additional transaction costs to be incurred by Graniz after March 31, 2017 capped at \$28,274 into an aggregate of 755,556 common shares of the Resulting Issuer at a deemed value of \$0.45 per common share and cash of \$25,000.
- b. To record the return of the 75% option on Mousseau West Property to the owners along with the forgiveness of the outstanding debt and the accrued interest related to the property as at March 31, 2017, amounting to \$204,636.
- c. To record the deemed purchase of all of the issued and outstanding common shares in the share capital of Graniz by NanoXplore for a total deemed consideration of \$1,265,285 including the related transaction costs payable cash, shares and options as further described in Note 3.
- d. To record the exercise of substantially all the in-the-money existing options of NanoXplore on a cashless basis, resulting in the issuance of 694,981 common shares in the share capital of the Resulting Issuer at a deemed value of \$0.45 per common share. The number and exercise price of the remaining existing options of NanoXplore are adjusted to reflect the exchange ratio.

NanoXplore Inc.

Notes to the Pro Forma Consolidated Financial Statements

As at March 31, 2017

(Unaudited)

(Expressed in Canadian dollars)

- e. To record the conversion of the Subscription Receipts into Resulting Issuer common shares and warrants pursuant to the \$8,000,000 minimum amount of the Private Placement net of the cash remuneration of the agent and estimated share issue costs of \$137,000. A nominal residual amount has been attributed to the Warrants. The fair value of the broker warrants was estimated using the Black-Scholes option pricing model based on the following weighted average assumptions: risk-free interest rate of 0.76%, average projected volatility of 50%, dividend yield of 0%, average expected life of common share options of 2 years and fair value of the Company's share of \$0.45.

5 Pro forma share capital

Share capital as at March 31, 2017 in the unaudited pro forma consolidated statement of financial position is comprised of the following:

	<u>Number of shares</u>	<u>Share Capital</u> \$
Opening balance - Graniz (post-consolidation)	1,412,939	3,800,036
Shares issued to NanoXplore shareholders as part of the Reverse Takeover	56,210,252	2,541,666
Shares issued as settlement of the Graniz outstanding debts	748,280	336,726
Shares issued for settlement of Graniz transaction costs to be incurred after March 31, 2017	7,276	3,274
Shares issued to advisor	115,556	52,000
Shares issued for the conversion of in-the-money existing NanoXplore options	694,981	160,629
Shares issued under the private placement's minimum offering amount	<u>17,777,778</u>	<u>7,145,167</u>
Total assuming the minimum offering	76,967,062	14,039,498
Additional shares issued under the private placement's maximum offering amount	<u>15,555,555</u>	<u>6,363,896</u>
Total assuming the maximum offering	<u>92,522,617</u>	<u>20,403,394</u>

NanoXplore Inc.

Notes to the Pro Forma Consolidated Financial Statements

As at March 31, 2017

(Unaudited)

(Expressed in Canadian dollars)

6 Pro forma outstanding options and warrants

The weighted average terms of the options and warrants outstanding as at March 31, 2017 are as follows:

	<u>Number</u>	<u>Exercise price</u>	<u>Weighted average years to expiry</u>
		\$	
Graniz options (post-consolidation)	141,293	0.45	1.00
Pre-existing remaining NanoXplore options (post-adjustment for the acquisition)	400,667	0.39	4.40
Advisory options	466,667	0.45	3.00
Warrants	8,888,889	0.70	2.00
Broker warrants	<u>1,244,444</u>	0.45	2.00
Total assuming the minimum offering	11,141,960	0.65	2.12
Additional warrants issued under the private placement's maximum offering amount	7,777,778	0.70	2.00
Additional broker warrants issued under the private placement's maximum offering amount	<u>1,088,889</u>	0.45	2.00
Total assuming the maximum offering	<u>20,008,627</u>	0.66	2.06

7 Income taxes

The pro forma effective income tax rate applicable to the consolidated operations will be based on the statutory tax rate of 26.85% applicable to NanoXplore's fiscal year 2017.

SCHEDULE "D" GRANIZ MONDAL INC. MANAGEMENT DISCUSSION AND ANALYSIS

GRANIZ MONDAL INC.

MANAGEMENT DISCUSSION AND ANALYSIS July 10, 2017

For the year ended March 31, 2017

This Management Discussion and Analysis (MD&A) should be read in conjunction with Graniz Mondal Inc.'s (the "Corporation") Audited Financial Statements ending March 31 2017. It complies with National Instrument 51-102 promulgated by the Canadian Securities Administrators (CSA) regarding continuous disclosure for reporting issuers.

Regulatory Filings and Additional Information - The Corporation's continuous disclosure material, including interim filings, annual MD&A and Audited Financial Statements, and additional information are available at www.sedar.com.

Forward Looking Statements - This MD&A may contain forward-looking statements that are based on the Corporation's expectations, estimates and projections regarding its business, the mining industry in general and the economic environment in which it operates as of the date of the MD&A. These statements are reasonable but involve a number of risks and uncertainties, and there can be no assurance that they will prove to be accurate. Therefore, actual outcome and results may differ materially from those expressed in or implied by these forward-looking statements.

1. DATE

This MD&A for the period ended March 31, 2017 was completed on July 10, 2017.

2. CORPORATE PROFILE

The Corporation was incorporated as 653609 Alberta Inc. Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (Alberta) On May 5, 1995. The name of the Corporation was changed to Challenger Mining Corp. by Certificate of Amendment dated July 12, 1995. Subsequently, by Certificate of Amendment dated September 18, 1995, the Corporation changed its name from Challenger Mining Corp. to Inca Mining Corp. The articles of the Corporation were further amended on July 7, 2000 to change the name of the Corporation to its present name; Graniz Mondal Inc. (the "Corporation"). On August 17, 2012, the Corporation has changed corporate jurisdictions by continuing out of Alberta under the Business Corporations Act (Alberta) and into the Canada Business Corporations Act as a federal corporation.

The Corporation currently owns 100% of a mineral exploration properties located in Northern Quebec; the Troilus-Sud property is located about 150 kilometres north of the Chibougamau mining camp and 20 kilometres south of the Troilus mine; the property consists of 11 map designated cells covering 598.24 hectares (the Troilus-Sud claims are kept in good standing). There are no third party interests or royalties attached to the property.

On December 13, 2012, the Corporation entered into an option agreement (the "Option Agreement") for the acquisition of a 75% interest in the Mousseau West graphite property ("Mousseau West") from the current owners of that property: Berthe Lambert (a director of the Corporation) as to 45%, Richard-Marc Lacasse (an insider of the Corporation and a former director and former President of the Corporation), as to 45% and Donald Théberge as to 10% (collectively, the "Vendors"). A majority of disinterested shareholders and the NEX approved this acquisition. The Mousseau West graphite property is comprised of 12 mining claims covering a total of approximately 489 hectares straddling the boundaries of Brunet and Mousseau Townships in Québec, approximately 12 km north of the town of St-Véronique (near Mont-Laurier) Québec. The Corporation intends to acquire Mousseau West for the purpose of exploring for graphite. Details on the Option Agreement are available at www.sedar.com.

3. EXPLORATION ACTIVITIES

The Corporation did not conduct any exploration activities with respect to Troilus-Sud. After the drop in gold prices and the drop in base metal prices, the management of Graniz kept the property in good standing and decided to wait for the eventual rise of the prices of the commodities.

At the end of January 2013, Graniz began a drilling program on the Mousseau West property (Brunet Deposit). The geological work incurred during the fourth quarter ended March 31, 2013 were \$408,126. The company drilled over 3000 metres aimed at qualifying and expanding the historical resource as well as exploring for additional potential resources on the property. Sampling including the additional standardized reference material and blanks was carried out at Ste-Véronique's coreshack and samples were shipped to ALS Minerals lab in Val d'Or for graphitic carbon assaying. Drilling, logging and sampling were carried out under the supervision of Mr Yvan Bussièrès P. Geo.Eng. and Mr Alain Tremblay P. Geo. Eng., NI 43-101 Qualified Persons. Mr Bussièrès was also responsible for the sampling protocol.

The following information are provided from the interpretation and conclusions of the September 24 2013 - NI 43-101 Resource Estimate released by Alain Tremblay and Yvan Bussièrès, ing. geo. (Qualified Persons). In 1989-90, drilling of 57 holes over a lateral distance of 260 metres along the western end of a conductor known as Mousseau West returned up to 50 metres of graphitic marbles containing economic grades (more than 5%) of graphite as fine to large flakes. Historical resources of approximately 2.4 million tonnes grading 7.35% (undiluted) were estimated on the basis of a drilling pattern of 25-40 metres. After acquisition of the property in 2012, Graniz Mondal Inc. drilled an additional 27 holes in order to bring the drill grid down to 25 metres. Due to some difficulty locating the Graphicor holes, the final drilling pattern remains locally incomplete.

Authors of the NI 43-101 believe that a 25-metre drilling pattern must be achieved in order to have the resources classify as indicated. Even if most of the mineralization is characterized by such a pattern, a few areas need some additional drilling to outline a mineralized body that is continuous and welldefined from one section to another. To better illustrate this situation, the entire model has been divided into three categories of blocks: A blocks having reached the final drilling pattern; B blocks needing one additional hole to become A blocks; and C blocks needing more than one additional hole. Using these block categories, one can see the areas where additional geological information is needed, and how much is needed. Additional work will also serve to validate and fine-tune the geological model proposed. At the moment, we therefore prefer to remain conservative and categorize all the resources estimated as Inferred, but even though the qualified persons cannot provide any guaranties that the inferred resources will be upgraded to the Indicated category, positive results from the B block work would immediately qualify the A and B blocks as indicated resources.

This produces the following numbers:
(Inferred Resources)

A block category: 2,777,600 tonnes at 6.19% Gp

B block category: 918,800 tonnes at 6.57% Gp

C block category: 415,000 tonnes at 5.48% Gp

All including internal dilution

Since the A and B blocks could merge in the short term into the same category, the following total is noteworthy: A+B block: 3,696,500 tonnes at 6.28% Gp as Inferred resources with the potential to be convert to Indicated resources in the short term.

Among other observations related to the Mousseau West mineralization, we should mention that:

1. Some preliminary milling tests performed on the mineralization in 1992 suggest that a significant portion of large graphite flakes can be recovered. These conclusions are the same as those obtained by Standard Graphite Inc. in 2012 on the eastern extension of the same mineralized conductor.
2. The nature of the mineralization is similar to the Lac-des-Iles graphite mine, which entered production in 1989 and is still in operation. This indicates high confidence in the possibility of mining, milling and concentrating this graphite mineralization into a final graphite product suitable for consumers.
3. The morphology of the graphite deposit as suggested by the authors is very suitable for open pit mining, with a low waste-to-ore stripping ratio.
4. The zonation of grades in the graphite deposit allows access to richer mineralization first an lower grades later, which allows a future operator some flexibility.

5. A large part of the conductive zone to which Mousseau West belongs remains unexplored.

There were no geological work or exploration expenses in 2016-2017 to protect the company from dilution of the shares.

4. RISK AND UNCERTAINTIES

The exploration for and development of mineral deposits may be affected in varying degrees by various factors such as government regulations, environmental risks and hazards, land use dependence on key personnel and other risks normally encountered in the mining industry. The Corporation has numerous competitors with greater financial, technical and other resources.

The exploration, development and mining of the Corporation's properties may require substantial additional financing. The source of future funds available to the Corporation is through the sale of additional equity capital. There is no assurance that such funding will be available to the Corporation. Failure to obtain sufficient financing may result in delaying or indefinite postponement of exploration, development or production on any or all of the Corporation's properties or even a loss of property interest.

Graniz Mondal Inc. is still in the process of exploring and evaluating its properties and, as such, no revenue has been yet generated from its operating activities. Accordingly, Graniz Mondal Inc. depends on its ability to raise financing in order to discharge its commitments and liabilities in the normal course of business. These conditions indicate the existence of a material uncertainty that may cast significant doubt about Graniz Mondal Inc.'s ability to continue as a going concern.

5. OVERALL PERFORMANCE AND SELECTED CORPORATE INFORMATION

The management has the following comments on the junior mining market. Since 2011, the TSX Venture Index fell over 65% (from 2,400 in 2012 to 750 in 2017). The market for junior mining ventures is very difficult and has a disproportionate effect on shareholders' value, especially on the value of Graniz's Brunet Graphite Deposit (Mousseau West Property). The management and the main shareholders intend to answer the cash needs of the Corporation until a comeback of the graphite market in 2018.

Selected corporate information :

- In September 2016, Shareholders Annual Meeting Annual in Lévis ; the following directors are elected: Berthe Lambert, Gilles Roy, Chantal Guillemette et Richard-Marc Lacasse;

- In December 2016, Graniz Mondal Inc. amends the option agreement previously announced in the Company's news release dated December 21, 2012 in respect of an option on a group of mining claims located in the Mont-Laurier area. The Company and the optionors have agreed to provide for a one year extension of the Company's first year payments in cash.

6. LIQUIDITY, CAPITAL RESOURCES AND OPERATIONS

At the end of the fourth quarter March 31th 2017, the Corporation had current assets of \$10,426 in comparison with \$21,389 as of March 31th 2016. Accounts receivable are mostly composed of sales tax returns and tax credit receivables.

Liabilities on March 31th 2017 are \$541,362 compared to \$474,438 as of March 31th 2016. Liabilities are composed of accounts payable, advances from one shareholder and two directors, a promissory notes due to prospectors and other miscellaneous fees.

You can observe in the table under that the decrease in liquidity is related to the fact there was no new external financing due to the bad market. However a new advance (promissory note) of 38,000 \$ was made by a director. In 2017, the increase in general expenses of \$51,330 versus \$44,679 in 2016 are due to higher office and general fees and share based compensation.

Selected Annual Financial Information

	As at March 31 th 2017 and year then ended	As at March 31 th 2016 and year then ended	As at March 31 st 2015 and year then ended
Liquidity	\$5,335	\$17,231	\$22,051
Total Assets	\$671,634	\$668,414	\$680,450
Net loss and comprehensive loss	(\$68,037)	(\$59,540)	(\$83,113)
Deficit	(\$3,879,812)	(\$3,811,775)	(\$3,752,235)
General Expenses	\$51,330	\$44,679	\$68,914
Shareholder equity	\$130,272	\$193,976	\$253,516

7. RESULTS OF OPERATIONS

For the year ended March, 2017, the Company incurred a net loss and comprehensive loss of \$68,037 (2016 - \$59,540).

Revenues and Total Comprehensive Loss and Net Loss per Share by Quarter

Quarter	Revenues	Total	Net Loss per Share	
		Comprehensive Loss	Issued	Diluted
31/03/2017		(8,222)	(0.000)	(0.000)
31/12/2016		(13,021)	(0.000)	(0.000)
30/09/2016		(22,306)	(0.001)	(0.001)
30/06/2016		(24,488)	(0.001)	(0.001)
31/03/2016		(4,722)	(0.000)	(0.000)
31/12/2015	-	(10,490)	(0.000)	(0.000)
30/09/2015	-	(37,839)	(0.002)	(0.002)
30/06/2015	-	(6,489)	(0.000)	(0.000)

The net loss and comprehensive loss increase is related to higher offices expenses and share based compensation.

For additional information see the March 31 2017 Audited Financial Statements available at www.sedar.com

8. FINANCING

Since 2012, the TSX Venture Index fell dramatically over 65% in 2017. No financing was done during the period, except an advance (promissory note) of 38,000 \$ from a director. The market for junior mining ventures is very difficult and has a disproportionate effect on shareholders' value, especially on the value of Graniz's Brunet Graphite Deposit (Mousseau West Property). The management and the main shareholders intend to answer the cash needs of the Corporation until a comeback of the graphite market in 2018.

9. FINANCIAL COMMITMENTS

Mousseau West property:

On December 13, 2012, the Company signed an option agreement on the Mousseau West property which comprised 12 mining claims covering a total of approximately 489 hectares straddling the boundaries of Brunet and Mousseau Townships approximately 12 kilometers north of the town of Ste-Véronique, Québec. Under the terms of the agreement, signed in December 2012 and amended in November 2013, the Company will acquire a 75% interest in the property in exchange of promissory notes of \$165,000, the issuance of 2,000,000 common shares (issued on December 21, 2012) and 2,000,000 shares to be issued

on the third anniversary in addition to a cash payment of \$50,000 on the third anniversary. The Company also undertook to spend \$200,000 (\$450,329 incurred) in exploration work on or before the first anniversary and a further \$200,000 on or before the second anniversary. The sellers retain a 2% net smelter return (NSR) royalty.

The Company also has an option to purchase the remaining 25% interest for \$4,500,000. In December 2016, the Company renewed the option agreement until December 2017.

10. EXPLORATION EXPENSES AND USE OF PROCEEDS

There was no geological work or exploration expenses in 2016-2017 to protect the company from dilution of the shares

11. OFF BALANCE SHEET ARRANGEMENTS

The Corporation has no off balance sheet arrangements.

12. Financial instruments:

The Company is exposed to various financial risks resulting from both its operations and its investment activities. The Company's management monitors financial risks. The Company does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

The Company's main financial risk exposure and its financial risk management policies are as follows:

(a) Credit risk:

Credit risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of the contract. Financial instruments that potentially subject the Company to a credit risk consist of cash. Cash is maintained with high-credit, quality financial institutions.

(b) Interest rate risk:

Promissory notes bear interest at a fixed rate and the Company is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations.

(c) Liquidity risk:

Management serves to maintain a sufficient amount of cash and to ensure that the Company has at its disposal sufficient sources of financing such as private placements. The Company establishes cash budgets to ensure it has the necessary funds to fulfill its obligations. Being able to obtain new funds allows the Company to pursue its activities and, even though the Company was successful in the past, there is no guarantee that it will succeed in the future. The accounts payable are due 30 days after the end of period. Promissory notes are due within 12 months.

(d) Fair value:

The fair value of cash, accounts payable and accrued liabilities and the promissory notes approximate their carrying amounts due to their short-term nature.

13. CONFLICT OF INTEREST

Certain members of the Corporation's Board of Directors and management are also Directors, Officers or shareholders of other corporations involved in the same activity sector. Such associations could create Conflicts of Interests. Directors are legally held to act honestly in an effort to protect the Corporation's interests. If such a conflict arises any Director that finds himself in such a conflict must divulge this conflict to the Board and abstain from voting on the specific point under consideration.

In addition, the vendors of the Mousseau West property include Berthe Lambert, President of the Corporation and Richard-Marc Lacasse, a member of the Board of Directors. Mrs Berthe Lambert and Mr Lacasse have notified the Board on the conflict of interest. Mrs Lambert (as well as any other current or future Director or officer of the Corporation who has a conflict of interest with respect to acquisition of the Mousseau West property) abstained from any Board vote relating to the acquisition of the Mousseau West property.

14. RELATED PARTY TRANSACTIONS

The Company has no ultimate parent.

Key management personnel compensation

The compensation of directors and executive officers of the Corporation comprises:

	2017	2016
President and Chief Executive Officer and Corporate Secretary (in function since December 7, 2012)		
Share-based compensation	\$ 1,200	\$ -
Director of Finance (in function since September 26, 2014)		
Professional fees	\$ 1,778	\$ 2,360
Independent directors and members of the Board of Directors		
Share-based compensation	\$ 2,400	\$ -

On December 13, 2012, the Company entered into an option agreement for the acquisition of a 75% interest in the Mousseau West graphite property with the President of the Company, who was at the time a director, with a former director of the Company, who was at the time the President of the Company, and with a former director and current insider of the Company, in exchange of promissory notes totalling \$165,000, 2,000,000 common shares valued at \$0.075 per share for a total of \$150,000 and other future considerations.

For additional information see the March 31 2017 Audited Financial Statements available at www.sedar.com

The Company has promissory notes with a shareholder and 2 directors totalling \$165,000. These promissory notes bear interest at a rate of 8% per annum.

The Company also has promissory notes with a shareholder and 2 directors totalling \$272,000. The promissory notes bear interest at 6.5% per annum. These transactions were carried out according to equivalents in the case of transactions subject to conditions of normal competition rules.

For additional information see the March 31 2017 Audited Financial Statements available at www.sedar.com

15. SIGNIFICANT ACCOUNTING POLICIES AND CHANGE IN ACCOUNTING POLICIES

(a) Financial instruments :

Non-derivative financial assets and liabilities are initially recognized at fair value plus any directly attributable transaction costs.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

The Company classified its cash as loans and receivables.

Financial liabilities

The Company classified its accounts payable and accrued liabilities and the promissory notes as financial liabilities at amortized cost. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

(b) Share capital:

Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares, share options and warrants are recognized as an increase to deficit, net of any tax effects.

(c) Fixed assets

Computer equipment is recorded at cost and subsequently, at cost less amortization and accumulated impairment losses. Amortization is based on their estimated life using the straight-line method at the rate of 33%.

The residual value, the estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimated being accounted for on a prospective basis. Amortization is recorded when the asset is ready to be used.

(d) Mining properties and exploration and evaluation assets:

Mining properties correspond to acquired interests in mining exploration permits/claims which include the rights to explore for, mine, extract and sell all minerals from such claims.

All pre-exploration costs, i.e. costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on an area of interest, are expensed as incurred.

Once the legal right to explore has been acquired, exploration and evaluation expenditures are capitalized in respect of each identifiable area of interest until the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Costs incurred include appropriate technical and administrative overhead.

Mining properties and exploration and evaluation assets are carried at historical cost less any impairment losses recognized.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable for an area of interest, the Company stops capitalizing exploration and evaluation costs for that area, tests recognized exploration and evaluation assets for impairment and reclassifies any unimpaired exploration and evaluation assets either as tangible or intangible mine development assets according to the nature of the assets.

(e) Impairment:

Financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a

loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against the assets. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment.

The carrying amounts of mining properties and exploration and evaluation assets are assessed for impairment only when indicators of impairment exist, typically when one of the following circumstances applies:

- Exploration rights have or will expire in the near future;
- No future substantive exploration expenditures are budgeted;
- No commercially viable quantities are discovered and exploration and evaluation activities will be discontinued;
- Exploration and evaluation assets are unlikely to be fully recovered from successful development or sale.

If any such indication exists, then the asset's recoverable amount is estimated.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(f) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(g) Finance expense:

Finance expense comprises interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Interests paid are classified under operating activities in the statements of cash flows.

(h) Share-based compensation:

The grant date fair value of share-based compensation awards granted to employees and directors is recognized as a share-based payment expense, with a corresponding increase in contributed surplus, over the period during which the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the

related service vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service conditions at the vesting date.

(i) Earnings per share:

The Company presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is calculated similarly to basic earnings per shares, except that the weighted average shares outstanding are increased to include additional shares from the assumed exercise of stock options, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options were exercised and that the proceeds from such exercises were used to acquire shares of common stock at the average market price during the year.

(j) Income tax:

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in the statements of comprehensive loss, except to the extent that they relate to a business combination, or items recognized directly in equity. Therefore, when deferred taxes relate to equity items, a backward tracing is necessary to determine the adjustment to taxes (e.g. change in tax rates and change in unrecognized deferred tax assets) that should be recorded in equity. For this purpose, the accounting policy of the Company is to first allocate changes in the recognition of deferred tax assets based on their expected maturity date.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized with regard to the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(k) Refundable credit on mining duties and refundable tax credit related to resources:

The Corporation is eligible for a refundable credit on mining duties under the *Mining Tax Act* (Québec). This refundable credit on mining duties is equal to 16% for year ended March 31, 2016 (15% before January 2012 and 12% before January 2011) applied to 50% of eligible expenses incurred for mining activities in Québec. The accounting treatment for refundable credit on mining duties depends on management's intention to either go into production in the future, or to sell its mining properties to another mining producer once the technical feasibility and the economic

viability of the properties have been demonstrated. This assessment is made at the level of each mining property. In the first case, the credit on mining duties is recorded as an income tax recovery under IAS 12, *Income Taxes*, which generates at the same time a deferred tax liability and deferred tax expense since the exploration and evaluation assets have no more tax basis following the Company's election to claim the refundable credit. In the second case, it is expected that no mining duties will be paid in the future.

Accordingly, the credit on mining duties is recorded as a government grant under IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, which is recorded against exploration and evaluation assets. Currently, it is management's intention to sell its mining properties in the future and, as such, credits on mining duties are recorded in compliance with IAS 20 as a government grant against exploration and evaluation assets and mining properties.

The Company is also eligible for a refundable tax credit related to resources for mining industry companies in relation to eligible expenses incurred. The refundable tax credit related to resources represents up to 28% of the amount of eligible expenses incurred and is recorded as a government grant against exploration and evaluation assets.

Credits related to resources and credit for mining duties recognized against exploration and evaluation expenditures are recorded at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the credits. They are recognized in profit or loss on a systematic basis over the useful life of the related assets.

(l) Cash and cash equivalents:

The Company's cash and cash equivalents include bank accounts and highly liquid financial instruments, with an initial term of three months or less .

(m) Change in accounting method :

IAS 16 - Fixed Assets and IAS 38 - Intangible Assets

In May 2014, IASB issued an amendment to these standards. Entitled "Clarification of Acceptable Methods of Depreciation and Amortization", the amendment specifies that a revenue-based depreciation and amortization method can no longer be used. The depreciation and amortization method must reflect the consumption of the future benefits of an asset. The amendment of these standards had no impact on the Company's financial statements.

(n) New standards issued but not yet effective:

The following new standards have been issued but are not yet effective and therefore have not been applied in preparing these financial statements:

IAS 7 - Statement of Cash Flows

In February 2016, IASB published amendments of limited scope to IAS 7 - Statement of Cash Flows to require that companies provide information concerning changes in their financing liabilities. The amendments will apply prospectively to fiscal years beginning on or after January 1, 2017. Earlier application is permitted. These standards will have no material impact on the Company's financial statements.

IAS 12 - Income Taxes

In January 2016, IASB published amendments to IAS 12 - Income Taxes on the accounting of future tax assets relating to unrealized losses. Essentially, these amendments aim to clarify when a future tax asset should be recognized in regard to an unrealized loss. These amendments will

apply to the financial statements of fiscal years beginning on or after January 1, 2017. These amendments will have no impact on the Company's financial statements.

IFRS 9 - Financial Instruments

In July 2014, IASB issued IFRS 9 - Financial Instruments to replace IAS 39 on the classification and measurement of financial assets and liabilities, amortization and hedge accounting. This standard is retrospectively applicable to financial statements relating to fiscal years beginning on or after January 1, 2018. The Company has not yet assessed the impact of this standard on its financial statements.

IFRS 15 - Revenue from Contracts with Customers

In May 2014, IASB issued IFRS 15 - Revenue from Contracts with Customers to replace IAS 18 and IAS 11. This new standard provides guidance on the method to be used and when to recognize revenue as per a unique model, except for loan contracts, financial instruments and insurance contracts. This standard is retrospectively applicable on January 1, 2018. The Company will assess the impact of this new standard when it will recognize revenues from its ordinary activities.

IFRS 16 - Leases

This standard, issued in 2016, sets out the principles for the recognition, measurement, presentation and disclosure of leases. It provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is twelve months or less or the underlying asset has a low value. However, lessor accounting remains largely unchanged in regard to IAS 17 and the distinction between operating and finance leases is retained. This standard will apply to fiscal years beginning on or after January 1, 2019. The Company has not yet assessed the impact of this standard on its financial statements.

16. SHARES, WARRANTS AND OPTIONS

As of July 10 2017, the Corporation had :

- 21,194,081 shares in circulation
- No Warrants outstanding
- 1,825,000 options issued at an average exercise price of \$ 0.097 a share.

On May 20th 2016, 400,000 options were issued at 0.05 a share for a total of 1,825,000.

The weighted average fair value of Stock options granted was \$0,012 per option in 2016.

17. CERTIFICATION OF INTERIM FILINGS

For the year ending March 31th 2017, the President in the capacity of the Chief Executive Officer and the Chief Financial Officer, in collaboration with the Audit Committee of the Corporation, reviewed, on July 7th 2017, the audited annual financial statements of the Corporation.

The Chief Executive Officer and the Chief Financial Officer of the Corporation represent that, based on their knowledge and having exercised reasonable diligence, the annual financial statements do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the financial period covered by the annual filings and fairly present in all material respects to the financial condition, results of operations and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.

The Chief Executive Officer and the Chief Financial Officer are responsible for ensuring and confirming that processes are in place to provide them with sufficient knowledge to support the above mentioned representations.

18. OUTLOOK AND SUBSEQUENT EVENT

The TSX Mining Venture Exchange has been the worst performing stock exchange in North America for over two years. Since 2011, the TSX Venture Index fell over 65% (from 2,400 to 750 in 2017). For many junior exploration companies on the TSX Venture, this is a time period filled with anxiety. To prevent dilution, the Corporation does not intend to issue new shares or make a private placement before a revival of the TSX Mining Venture market.

In the past the Corporation got the support and the loyalty of the main shareholders. Since 2013, Graniz got advance loans from two directors and a shareholder. The management and the main shareholders intend to keep the Corporation in good standings and will keep Graniz listed and trading on the TSX Venture Exchange (NEX).

Graniz Mondal Inc. has entered into a letter of intent dated June 6, 2017, with Group NanoXplore Inc., a corporation incorporated under the laws of Quebec, pursuant to which Graniz Mondal and NanoXplore intend to complete a business combination, in accordance with Policy 5.2 of the TSX Venture Exchange. (For more information, see press release on SEDAR). If there is no agreement with NanoXplore, Graniz will continue as a junior exploration company.

For the management of the Corporation,
July 10, 2017

Dr Berthe Lambert, CEO of Graniz Mondal Inc.

SCHEDULE "E" GROUP NANOXPLORE INC. MANAGEMENT DISCUSSION AND ANALYSIS

GROUP NANOXPLORE INC.

**Management's Discussion and Analysis
For the years ended June 30, 2016 and 2015**

GROUP NANOXPLORE INC.

Management's discussion and analysis

For the years ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

The following Management's discussion and analysis ("MD&A") relates to the audited consolidated financial information for the years ended June 30, 2016 and 2015 contained in the consolidated financial statements for the nine-month periods ended March 31, 2017 and 2016 (unaudited) and for the years ended June 30, 2016 and 2015 ("Financial statements") of Group NanoXplore Inc. ("we", "our", "us", "Group NanoXplore", "NanoXplore" or the "Company") and should be read in conjunction with these Financial statements. This MD&A reports on our activities through August 18, 2017 unless otherwise indicated. The Company's Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Company has consistently applied the accounting policies used in the preparation of its IFRS financial statements, including the comparative figures.

All amounts included in the MD&A are in Canadian dollars, unless otherwise specified.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains certain forward-looking statements with respect to the Company. Such forward-looking statements are dependent upon a certain number of factors and are subject to risks and uncertainties. Actual results may differ from those expected. We consider the assumptions on which these forward-looking statements are based to be reasonable, but we advise the reader that these assumptions with regard to future events, many of which are beyond our control, could prove incorrect as they are subject to risks and uncertainties inherent in our activities. Management does not assume any obligation to update or revise any forward-looking statements, whether as a result of new information of future events, except when required by the regulatory authorities.

This MD&A contains forward-looking statements. When used in this MD&A, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "seek", "propose", "estimate", "project", "expect" and similar expressions are intended to identify forward-looking statements. In particular, this MD&A contains forward-looking statements with respect to, among other things, business objectives, expected growth, results of operations, performance, business projects and opportunities and financial results. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Such statements reflect NanoXplore's then current views with respect to future events based on certain material facts and assumptions and are subject to certain risks and uncertainties, including without limitation changes in the risk factors described under the section of this Filing Statement. The forward-looking information is based on certain key expectations and assumptions made by NanoXplore, including expectations and assumptions concerning availability of capital resources, business performance, market conditions, customer demand. Although NanoXplore believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information since no assurance can be given that they will prove to be correct.

Many factors could cause NanoXplore's actual results, performance or achievements to vary from those described in this MD&A, including without limitation those listed above, those described under the section of this Filing Statement as well as the assumptions upon which they are based proving incorrect. These factors should not be construed as exhaustive. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in this MD&A as intended, planned, anticipated, believed, sought, proposed, estimated or expected, and such forward-looking statements should not be unduly relied upon. NanoXplore does not intend, and does not assume any obligation, to update these forward-looking statements except as required by law. The forward-looking statements contained in this MD&A are expressly qualified by these cautionary statements. Forward-looking information contained in this

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Management's discussion and analysis

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MD&A about prospective results of operations, financial position or cash flows is based on assumptions about future events, including economic conditions and proposed courses of action, based on NanoXplore's management's assessment of the relevant information currently available. Readers are cautioned that outlook information contained in this MD&A should not be used for the purposes other than for which it is disclosed herein or therein, as the case may be.

Please also refer to the section of this Filing Statement entitled "Cautionary Note Regarding Forward-Looking Information".

1. BUSINESS OVERVIEW

Company overview

NanoXplore and its subsidiaries (together "NanoXplore" or the "Company") is an advanced materials company that manufacture graphene, graphene-enhanced polymers and plastic products applicable to industrial components and metals. The address of the Company's corporate office is 25, Boul. Montpellier, St-Laurent (Montreal), QC, Canada.

The Company has the following subsidiaries:

- NanoXplore GmbH, based in Germany, with an equity interest of 100% (2015: 100%);
- 9334-7474 Québec Inc., based in Canada, with an equity interest of 100%. 9334-7474 Québec Inc. holds 100% of Gestion RJ Aubin Inc ("Gestion RJ") and Gestion RJ Aubin Inc. holds 100% of Rada Industries Ltd. ("Rada Industries"). On July 1st, 2016, 9334-7474 Québec Inc. and Gestion RJ amalgamated their activities in order to continue exclusively under the name of 9334-7474 Québec Inc.

On May 7, 2015, the Company established a wholly-owned subsidiary (NanoXplore GmbH) in Mainz, Germany.

On August 13, 2015, the Company purchased a 50% interest in Two Carbon Inc. ("Two Carbon"). Two Carbon is focused on research and development of graphene solutions for the footwear industry.

On June 1st, 2016, through its wholly-own subsidiary 9334-7474 Québec Inc., the Company acquired all of the issued and outstanding shares in the capital of Gestion RJ for a total consideration of \$2,251,603. Gestion RJ holds a building where Rada Industries operates exclusively. Rada Industries is a wholly-own subsidiary of Gestion RJ, located in Delson, Québec and is a manufacturer of plastic blow molding and injection. Rada Industries offers products consisting primarily of 100 % recyclable plastic bottles, jars and custom plastic parts.

Key Business strategy

NanoXplore is in the business of developing, manufacturing, and marketing graphene and graphene based proprietary polymer nanocomposite materials for a number of industries including automotive, packaging and electronic enclosures.

NanoXplore currently has four (4) patent applications regarding production of graphene and its application. Two (2) of them are already issued in US and two (2) are pending. Graphene is a novel material with a variety of outstanding properties. It is currently available in the market at various grades, with performance characteristics such as mechanical strength, and conductivity improving with fewer

GROUP NANOXPLORE INC.

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atomic layers. NanoXplore's patented manufacturing process provides proof of concept to allow for a low-energy, harsh chemical-free manufacture designed to achieve high-grade graphene material at a projected industry leading low cost. Today NanoXplore has capacity to produce 4 metric tonnes of graphene per year.

IP Type	Country	Number	Filing Date	Status	Description
Patent	Canada	CA2837394	19 Dec/13	Pending	Electro-Magneto-Chemical Synthesis Of Few Or Multi-Layers Magnetic Graphene, And Graphene Oxide And Uses Thereof
Patent	US	9,586,825	9 Dec/14	Issued March 7, 2017	Large Scale Production Of Partially Oxidized Graphene
Patent	US	9,469,542	22 Dec/15	Issued October 18, 2016	LARGE SCALE PRODUCTION OF THINNED GRAPHITE, GRAPHENE, AND GRAPHITE-GRAPHENE COMPOSITES
Patent	US	62/275,591	4 Jan/16	Pending	METHOD OF COMPOUNDING GRAPHENE WITH NON-CONDUCTIVE PARTICLES AND APPLICATIONS THEREOF

The Company has successfully finished the second phase of a development program to advance this manufacturing process from lab scale (200Kg/year in 2014) to pilot scale (4 metric tonnes/ year in 2015). NanoXplore plans to further scale up its graphene manufacturing to a large-scale manufacturing operation (25 metrics tonnes/year) during 2016 fiscal year. Furthermore, NanoXplore has compounding and mixing capability and produces graphene enhanced plastic master batch pellets to be used in packaging and automotive applications. During 2015 fiscal year, NanoXplore added a twin-screw extrusion to add the capability of mixing graphene with plastic to produce master batch pellets. As a result of that, NanoXplore has a capacity of 400 metric tonnes/year master batch pellet production. To accelerate the time-to-market, NanoXplore is active in downstream acquisition of plastic forming businesses. Through the acquisition, NanoXplore accesses into the existing relationship of acquired companies with their customers and has the chance to introduce graphene rapidly to them. To support this business model, NanoXplore has acquired a custom plastic injection and blow molding company, Rada Industries Ltd. in June 2016. Integration of Rada Industries Ltd. business is ongoing and NanoXplore hopes to access to Rada Industries' customer in order to offer graphene enhanced plastic solutions and products. NanoXplore is constantly looking into potential acquisition opportunities in plastic forming businesses in Europe and Canada.

To ensure that the Company has enough space to grow, it is moved its graphene production and master batch pellet production facility from 1744 Rue William, H3J 1R4 Montreal Canada to 25 Montpellier Blvd, H4N 2G3 Montreal Canada, with a lease agreement started at Oct 1st 2015 until Oct 1st 2020. Company's plastic forming facility is located at 181 Rue Brossard, J5B 1W9, Delson, Canada at Rada Industries location following the acquisition at June 2016.

Research and Development:

NanoXplore has a very active internal research and development effort and supplements this with external collaborations at many Canadian universities and research institutes. NanoXplore is currently investing in research programs with McGill University, University of Waterloo, Institut national de la recherche scientifique (INRS-EMT), École de technologie supérieure (ETS), Centre de Technologie

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Minérale et de Plasturgie (CTMP), Concordia University and the National Research Council (NRC). The Company has highly qualified staff including 5 with PhD qualifications, 3 with MSc, and 6 with engineering or science degrees.

NanoXplore has benefited from the support of Canada's National Research Council's (NRC's) Industrial Research Assistance Program. NRC has supported the Company in the development of its graphene products under the following projects which each ran for approximately 12 months:

- May 2016 - "A Platform Technology to Produce Graphene Enhanced Epoxy Resins, Slurries, Pastes and Greases", to a maximum of \$288,000 for the period from May 26, 2016 to June 9, 2017;
- May 2015 - the project called "A Platform Technology to Enhance Dispersibility of Graphene for approximately \$192,000 for the period from April 1, 2015 to March 31, 2016;
- May 2014 - the project called "Production of Graphene Powders" for approximately \$132,000 for the period from April 1, 2014 to June 30, 2015.

Fiscal year 2016 highlights

- Revenues reached \$776,850, an increase of \$562,045 (262%) compared to fiscal year 2015;
- Loss and comprehensive loss reached \$1,487,256, an increase of \$660,717 (80%) compared to fiscal year 2015;
- On June 1st, 2016, the Company acquired the business of Rada Industries for a consideration of \$2,105,047;
- With the acquisition of Rada Industries, the Company signed credit facilities with Investissement Québec and Toronto-Dominion Bank for \$1,000,000 and \$1,250,000 respectively and reimbursed previous credit facilities with Business Development Bank of Canada and Royal Bank of Canada;
- The Company completed a private placement through convertible debentures for consideration of \$550,000;
- The Company invested \$50,000 in a joint venture, Two Carbon;
- The Company granted 43,000 options to directors, officers and employees.

Fiscal year 2015 highlights

- Revenues reached \$214,805, an increase of \$143,649 (202%) compared to fiscal year 2014;
- Loss and comprehensive loss reached \$826,539, an increase of \$664,999 (412%) compared to fiscal year 2014;

The Company has successfully finished the second phase of a development program to increase the capacity of graphene production from lab scale (200Kg/year at 2014) to pilot scale (4 metric tonnes/ year at June 2015).

- The Company completed a private placement for consideration of \$2,725,000;

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- The Company signed a license agreement with Mason Graphite Inc. for thinned graphite production technology which has applications in alkaline batteries, conductive polymers and thermal diffusers.

Corporate matters – Board of directors

On February 14, 2014, Benoît Gascon was appointed Chairman of the Board of the Company. Soroush Nazarpour, Paul Higgins, Serge Dépatie and Luc Veilleux were appointed directors.

On January 26, 2015, Paul Higgins, Serge Dépatie and Luc Veilleux resigned as directors. Cameron Harris was appointed director.

On March 25, 2015, Denis Labrecque and Jacques Poulin were appointed directors.

On June 20, 2016, Jacques Poulin resigned as director.

2. SELECTED ANNUAL FINANCIAL INFORMATION

The following selected financial data are derived from the Financial Statements of the Company for the following periods:

	For the years ended June 30		
	2016	2015	2014
	\$	\$	\$
Revenues	776,850	214,805	71,156
Loss and comprehensive loss	1,487,256	826,539	161,540
Loss per share	1.17	0.77	0.37
Total assets	5,138,434	2,604,093	517,946
Non-current financial liabilities	2,162,452	-	-

The Company has not, since the date of its incorporation, declared or paid dividends on its common shares. For the foreseeable future, the Company anticipates that it will retain future earnings and other cash resources for the operation and development of its business. The Company's functional and presentation currency is the Canadian dollars. The Company's Financial Statements have been prepared in accordance with IFRS as issued by the IASB. The Company has consistently applied the accounting policies used in the preparation of its IFRS financial statements, including the comparative figures.

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3. RESULTS OF OPERATIONS

Year ended June 30, 2016 compared with year ended June 30, 2015

Revenues reached \$776,850, an increase of \$562,045 (262%) compared to fiscal year 2015. The increase is explained by the following:

- Sales of product increased by \$211,319. One month of Rada Industries sales (\$223,677) are included in the fiscal year;
- Laboratory services increased by \$107,499. \$32,500 with Mason Graphite Inc. and \$50,000 with Two Carbon;
- Other income increased by \$251,560. \$217,941 was for R&D tax credit from the Federal and Provincial government and \$170,739 as government assistance from the National Research Council;

Loss and comprehensive loss reached \$1,487,256, an increase of \$660,717 (80%) compared to fiscal year 2015. Sales of graphene are still minimal as the Company is in the development stage of this business. Expenses have increased in order to develop the graphene business, new employees, additional professional fees and office expenses.

Year ended June 30, 2015 compared with year ended June 30, 2014

Revenues reached \$214,805, an increase of \$143,649 (202%) compared to fiscal year 2014. The increase is explained by the following:

- Royalties increased by \$58,333. Product license with Mason Graphite Inc.;
- Other income increased by \$112,433. The Company received \$137,120 as government assistance from the National Research Council (\$24,687 in 2014);

Loss and comprehensive loss reached \$826,539, an increase of \$664,999 (412%) compared to fiscal year 2014. Sales of graphene are still minimal as the Company is in the development stage of this business. Expenses have increased in order to develop the graphene business, new employees, additional professional fees and office expenses.

4. CASH FLOW

<u>Sources and uses of cash</u>	<u>For the years ended</u>		
	<u>June 30</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
	\$	\$	\$
Cash used in operations prior to changes in working capital	(1,281,578)	(798,690)	(182,126)
Changes in non-cash working capital	51,787	127,810	(44,460)
Cash used in operations activities	(1,229,791)	(670,880)	(226,586)
Cash provided by financing activities	2,466,821	2,715,000	706,095
Cash used in investing activities	(2,365,017)	(205,106)	(24,653)
Effect of FX rates on cash balances	(757)	470	-
Change in cash	(1,128,744)	1,839,484	454,856

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Operating Activities

For the year ended June 30, 2016, cash used in operating activities increased by \$482,888 before changes in non-cash working capital compared to year ended June 30, 2015 (from \$798,690 in 2015 to \$1,281,578 in 2016). The increase is explained by the development of the graphene business which is still in the development stage. Consequently, in general, all expenses have increased.

For the year ended June 30, 2015, cash used in operating activities increased by \$616,564 before changes in non-cash working capital compared to the year ended June 30, 2014 (from \$182,126 in 2014 to \$798,690 in 2015). The increase is explained by a general increase of all expenses in order to develop the graphene business.

For the years ended June 30, 2016 and 2015, non-cash working capital decreased by \$51,787 and \$127,810 respectively. For these periods, no unusual variations were noted.

Financing Activities

For the years ended June 30, 2016 and 2015, cash provided from financing activities was \$2,466,821 and \$2,715,000 respectively. During the year ended June 30, 2016, the Company completed a private placement through a convertible debenture for gross proceeds of \$550,000 and to acquire Rada Industries, the Company issued a long-term debt of \$2,250,000 (\$1,000,000 with Investissement Québec and \$1,250,000 with TD Bank) and reimbursed the Business Development Bank of Canada and Royal Bank of Canada for \$588,179. Operating loan increased by \$255,000. For the year ended June 30, 2015, the Company completed a private placement of \$2,715,000 (net of issuance cost).

Investing Activities

For the years ended June 30, 2016 and 2015, cash used in investing activities was \$2,365,017 and 205,106 respectively. For the year ended June 30, 2016, the Company acquired for \$2,105,047 Rada Industries and purchase mainly graphene production and laboratory equipment and performed leasehold improvements (\$184,489). The Company also invested in a joint venture, Two Carbon, for a consideration of \$50,000. For the year ended June 30, 2015, the Company purchase mainly graphene production and laboratory equipment and performed leasehold improvements (\$204,331).

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5. FINANCIAL POSITION

	June 30, 2016	June 30, 2015	June 30, 2014
	\$	\$	\$
Cash	1,167,042	2,295,786	456,302
Other current assets	776,056	109,698	32,747
Total current assets	1,943,098	2,405,484	489,049
Lease deposit	25,600	-	6,300
Investment in a joint venture	70,220	-	-
Property, plant and equipment (Note 1)	3,099,516	198,609	22,597
Total assets	5,138,434	2,604,093	517,946
Total liabilities (Notes 2)	4,127,968	214,436	16,750
Equity	1,010,466	2,389,657	501,196

Note 1: Property, plant and equipment: the increase from 2015 to 2016 is mainly explained by the acquisition of Rada Industries assets on June 1st, 2016

Note 2: Total liabilities: the increase from 2015 to 2016 is mainly explained by the issuance of convertible debentures of \$550,000 and the new debt with Investissement Québec (\$1,000,000) and the TD Bank (\$1,250,000) for the acquisition of Rada Industries.

6. LIQUIDITY AND CAPITAL RESOURCES

The graphene business is in the development stage and as result the Company has minimal source of operating revenue from those operations and is dependent on external financing to fund its continued development program. The Company main sources of funding have been the issuance of equity securities for cash, debt, funds from the government of Quebec with respect to R&D tax credit and from the federal government with respect to R&D tax credit and the Industrial Research Assistance Program

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

For a detailed description of the financial instruments and risk management associated with the Company and its activities, please refer to the Financial statements. These identified financial instruments and risks are consistent through the periods.

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8. OFF-BALANCE SHEET ARRANGEMENTS

As of the date of this MD&A, the Company did not have any off-balance sheet arrangements.

9. PROPOSED TRANSACTIONS

There is no proposed transaction of a material nature being considered by the Company except the one mentioned in the Filing statement.

10. RELATED PARTY TRANSACTIONS

For a detailed description of all related party transactions, please refer to the Financial statements.

In addition to the notes included in the Financial statements, please find the following information:

- Soroush Nazarpour:
 - is a director and officer of 9280-3196 Québec Inc.
- Mason Graphite Inc
 - owns more than 10% of the Company;
- Cameron Harris
 - as a director, subscribed for 25,510 Class a common shares in the private placement of December 23, 2014.

11. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

For a detailed description of the critical accounting judgments and estimates associated with the Company and its activities, please refer to the Financial statements.

12. OUTSTANDING SHARE DATA

As at August 18, 2017, the Company has:

- a) 1,402,917 common shares issued and outstanding;
- b) 51,000 options outstanding with expiry dates ranging between October 23, 2020 and May 2, 2022 with exercise price between \$9.80 and \$18.03. If all the options were exercised, 51,000 shares would be issued for proceeds of \$606,790;

13. RISKS AND UNCERTAINTIES

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The operations of the Company are speculative due to the high-risk nature of its business, which is the acquisition, financing, technology and manufacturing. These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking information relating to the Company.

Small Revenue from graphene powder direct sale

To date the Company has recorded small revenue from its graphene powder direct sale. There can be no assurance that significant losses will not occur in the near future or that the Company will be profitable in the future. The Company's operating expenses and capital expenditures may increase in subsequent years as consultants, personnel and equipment associated with sales and manufacturing of graphene powder. The Company expects to continue to incur losses unless and until such time as it enters into long term and large volume graphene supply agreement and generates sufficient revenues to fund its continuing operations. The development of NanoXplore's large volume graphene production facility will require the commitment of substantial resources to conduct time-consuming development. There can be no assurance that the Company will generate any revenues or achieve profitability.

Liquidity Concerns and Future Financings

NanoXplore will require significant capital and operating expenditures in connection with the acquisition plan and large volume graphene production facility. There can be no assurance that the Company will be successful in obtaining required financing as and when needed. Volatile markets may make it difficult or impossible for the Company to obtain debt financing or equity financing on favourable terms, if at all. Failure to obtain additional financing on a timely basis may cause the Company to postpone or slow down its development plans, or reduce or terminate some or all of its activities.

Foreign Exchange

Graphite is the main raw material to produce graphene. Mineral commodities are sold in US dollars and consequently, NanoXplore is subject to foreign exchange risks relating to the relative value of the Canadian dollar as compared to the US dollar.

Licences and Permits, Laws and Regulations

Large production volume of graphene requires permits and approvals from various government authorities, and are subject to extensive federal, provincial, and local laws and regulations governing development, production, exports, taxes, labour standards, occupational health and safety, and other matters. Such laws and regulations are subject to change, can become more stringent and compliance can therefore become more costly. In addition, the Company may be required to compensate those suffering loss or damage by reason of its activities. There can be no guarantee that NanoXplore will be able to maintain or obtain all necessary licences, permits and approvals that may be required to further scale up the graphene production facility.

Health and Safety and Environmental

Currently, there is no regulation regarding health and safety and environmental impact of graphene. These regulation may come into effect in the future, such as regulations governing environmental protection and employee health and safety. Environmental legislation is evolving in a manner that is creating stricter standards, while enforcement, fines and penalties for non-compliance are also increasingly stringent. The cost of compliance with changes in governmental regulations has the

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potential to reduce the profitability of operations. Further, any failure by the Company to comply fully with all applicable laws and regulations could have significant adverse effects on the Company, including the suspension or cessation of operations.

Dependence on Management and Key Personnel

NanoXplore is dependent on the services of key executives, including a small number of highly skilled and experienced executives and personnel. The Company's development to date has largely depended, and in the future will continue to depend, on the efforts of key management and other key personnel to develop its projects. Loss of any of these people, particularly to competitors, in the short term, could have a material adverse impact upon the Company current business.

Uninsured Risks

The Company maintains insurance to cover normal business risks. In the course of manufacturing businesses, certain risks, and in particular, unexpected or unusual catastrophic events including explosions and fire may occur. It is not always possible to fully insure against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the common shares of the Company.

Competition

NanoXplore competes with other graphene manufacturing companies that have interesting strong technology and have been in the market longer than NanoXplore and have stronger financial backing. Such competition may result in the Company being unable to acquire large volume customers, recruit or retain qualified employees or acquire the capital necessary to fund its operations and scale up the production of graphene. The Company's inability to compete with other graphene companies would have a material adverse effect on the Company's results of operation and business.

Qualified Employees

Recruiting and retaining qualified personnel is critical to the NanoXplore's success. Graphene is a newly discovered material and finding skilled scientists and sales team familiar to the subject is difficult. As the Company grows further, the need for skilled labour will increase. The number of persons skilled in the high tech manufacturing business is limited and competition for this workforce is intense. This may adversely affected the business of NanoXplore if the Company cannot recruit and retain qualified personnel as and when required.

Share Price Fluctuations

The market price of securities of many companies, particularly development stage companies, experience wide fluctuations in price that are not necessarily related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that fluctuations in the Company's share price will not occur.

Conflicts of Interest

Certain of NanoXplore directors and officers serve or may agree to serve as directors or officers of other companies and, to the extent that such other companies may participate in ventures in which the

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Company may participate, the directors of NanoXplore may have a conflict of interest in negotiating and concluding terms respecting such participation.

Energy Cost

Energy cost is a significant part of the expenses involved in the manufacturing business. NanoXplore profit margin will significantly impacts by the energy cost. In the case of increase in the electricity cost, NanoXplore's gross profit will reduce and this may adversely affect the business of NanoXplore.

Litigation

NanoXplore has entered into legally binding agreements with various third parties on a Non-Disclosure, consulting and partnership basis. The interpretation of the rights and obligations that arise from such agreements is open to interpretation and NanoXplore may disagree with the position taken by the various other parties resulting in a dispute that could potentially initiate litigation and cause NanoXplore to incur legal costs in the future. Given the speculative and unpredictable nature of litigation, the outcome of any such disputes could have a material adverse effect on NanoXplore business.

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14. SUBSEQUENT EVENTS

- i) On August 1, 2016, the Company completed a private placement financing through convertible debentures for aggregate gross proceeds of \$450,000 at the same conditions as the convertible debentures issued on May 20, 2016.
- ii) On October 11, 2016, Mason Graphite Inc. signed with the Company a firm commitment letter to subscribe to 55,463 Class A common shares from the Company at a value of \$18.03 per share for a consideration of \$1,000,000. Completion of the share issuance will trigger automatic conversion of all outstanding convertible debentures.
- iii) On June 6, 2017, Graniz Mondal Inc. ("Graniz") signed a letter of intent with the Company, pursuant to which Graniz and the Company intend to complete a business combination (the "Proposed Transaction"), in accordance with Policy 5.2 of TSX Venture Exchange (the "Exchange").

Concurrently with the completion of the Proposed Transaction, expected to be completed in August 2017, Graniz and the Company entered into an Amalgamation Agreement pursuant to which Graniz will acquire all the issued and outstanding common shares of the Company. Pursuant to the terms and conditions of the Amalgamation Agreement, under which it will issue 56,210,252 common shares to the Company's shareholders, reflecting an exchange ratio of 1:1 (on a post consolidation basis), at a deemed price of \$0.45 per share and will thereafter continue the Company's commercial and engineering activities as NanoXplore Inc. The capital structure of NanoXplore Inc. will be unchanged from the Graniz's current capital structure, other than for the issuance of the shares contemplated by the Proposed Transaction. This transaction will result in a reverse takeover of Graniz by the Company, whereby the Company will be deemed to have acquired control of Graniz through the deemed issuance of 1,412,939 common shares (on a post consolidation basis) to Graniz's shareholders based on Graniz's net assets as at March 31, 2017.

Prior to the closing of the Proposed Transaction, Graniz will complete the consolidation of its common shares on the basis of one Graniz Post-Consolidation Share for every 15 Graniz common shares outstanding. Graniz's outstanding options will be replaced by 141,293 post consolidation new options of the Resulting Issuer at an exercise price of \$0.45 per share.

Prior to the closing of the Proposed Transaction, the Company will complete the conversion of its common shares on the basis of one to 40.0667 common shares outstanding. Related adjustments will be brought to the Company's outstanding options.

The Proposed Transaction constitutes a reverse takeover of Graniz but does not meet the definition of a business combination under IFRS 3, Business Combinations. Accordingly, the Company will account for the reverse takeover transaction in accordance with IFRS 2, Share-based Payment.

The completion of the transaction described in this note is subject to the satisfaction of a number of conditions, including a due diligence by both parties, a private placement and the receipt of all requisite regulatory, corporate and shareholder approvals, including that of the TSX-Venture Exchange. There can be no assurance that the Proposed Transaction will be completed as proposed or at all.

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On August 2, 2017, NanoXplore has completed in connection with the Proposed Transaction a brokered private placement financing of subscription receipts ("Subscription Receipts") sold at a price of \$0.45 per Subscription Receipt for gross proceeds of \$9,697,082.

On August 10, 2017, at the Special Meeting of NanoXplore, the shareholders approved the conversion of its common shares on the basis of one to 40.0667 common shares outstanding and approved the Amalgamation agreement.

15. APPROVAL

The Board of Directors oversees management's responsibility for financial reporting and internal control systems. This Board of directors discuss quarterly with management and annually with the independent auditors to review the scope and results of the annual audit and to review the year-to-date financial statements and related financial reporting and internal control matters before the financial statements are approved by the Board of Directors and submitted to the shareholders. The Board of Directors has approved the Financial statements.

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**Interim management's discussion and analysis – Quarterly highlights
For the nine-month periods ended March 31, 2017 and 2016**

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The following interim management's discussion and analysis – quarterly highlights ("MD&A") relates to the condensed interim unaudited consolidated financial information for the nine-month periods ended March 31, 2017 and 2016 contained in the consolidated financial statements for the nine-month periods ended March 31, 2017 and 2016 (unaudited) and for the years ended June 30, 2016 and 2015 ("Financial statements") of Group NanoXplore Inc. ("we", "our", "us", "Group NanoXplore", "NanoXplore", or the "Company"). This MD&A reports on our activities through August 18, 2017 unless otherwise indicated (date on which the Board of Directors approved the Financial statements). The Company's Financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Company has consistently applied the accounting policies used in the preparation of its IFRS financial statements, including the comparative figures.

All amounts included in the MD&A are in Canadian dollars, unless otherwise specified.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains certain forward-looking statements with respect to the Company. Such forward-looking statements are dependent upon a certain number of factors and are subject to risks and uncertainties. Actual results may differ from those expected. We consider the assumptions on which these forward-looking statements are based to be reasonable, but we advise the reader that these assumptions with regard to future events, many of which are beyond our control, could prove incorrect as they are subject to risks and uncertainties inherent in our activities. Management does not assume any obligation to update or revise any forward-looking statements, whether as a result of new information of future events, except when required by the regulatory authorities.

This MD&A contains forward-looking statements. When used in this MD&A, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "seek", "propose", "estimate", "project", "expect" and similar expressions are intended to identify forward-looking statements. In particular, this MD&A contains forward-looking statements with respect to, among other things, business objectives, expected growth, results of operations, performance, business projects and opportunities and financial results. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Such statements reflect NanoXplore's then current views with respect to future events based on certain material facts and assumptions and are subject to certain risks and uncertainties, including without limitation changes in the risk factors described under the section of this Filing Statement. The forward-looking information is based on certain key expectations and assumptions made by NanoXplore, including expectations and assumptions concerning availability of capital resources, business performance, market conditions, and customer demand. Although NanoXplore believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information since no assurance can be given that they will prove to be correct.

Many factors could cause NanoXplore's actual results, performance or achievements to vary from those described in this MD&A, including without limitation those listed above, those described under the section of this Filing Statement as well as the assumptions upon which they are based proving incorrect. These factors should not be construed as exhaustive. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in this MD&A as intended, planned, anticipated, believed, sought, proposed, estimated or expected, and such forward-looking statements should not be unduly relied upon. NanoXplore does not intend, and does not assume any obligation, to update these forward-looking statements except as required by law. The forward-looking statements contained in this MD&A

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are expressly qualified by these cautionary statements. Forward-looking information contained in this MD&A about prospective results of operations, financial position or cash flows is based on assumptions about future events, including economic conditions and proposed courses of action, based on NanoXplore's management's assessment of the relevant information currently available. Readers are cautioned that outlook information contained in this MD&A should not be used for the purposes other than for which it is disclosed herein or therein, as the case may be.

Please also refer to the section of this Filing Statement entitled "Cautionary Note Regarding Forward-Looking Information".

1. BUSINESS OVERVIEW

Company overview

NanoXplore and its subsidiaries (together "NanoXplore" or the "Company") is an advanced materials company that manufacture graphene, graphene-enhanced polymers and plastic products applicable to industrial components and metals. The address of the Company's corporate office is 25, Boul. Montpellier, St-Laurent (Montreal), QC, Canada.

The Company has the following subsidiaries:

- NanoXplore GmbH, based in Germany, with an equity interest of 100% (2016: 100%);
- 9334-7474 Québec Inc., based in Canada, with an equity interest of 100%. 9334-7474 Québec Inc. holds 100% of Gestion RJ Aubin Inc ("Gestion RJ") and Gestion RJ Aubin Inc. holds 100% of Rada Industries Ltd. ("Rada Industries"). On July 1st, 2016, 9334-7474 Québec Inc. and Gestion RJ amalgamated their activities in order to continue exclusively under the name of 9334-7474 Québec Inc.

Key Business strategy

NanoXplore is in the business of developing, manufacturing, and marketing graphene and graphene based proprietary polymer nanocomposite materials for a number of industries including automotive, packaging and electronic enclosures.

NanoXplore currently has five (5) patent applications regarding production of graphene and its application. Two (2) of them are already issued in US and three (3) are pending. Graphene is a novel material with a variety of outstanding properties. It is currently available in the market at various grades, with performance characteristics such as mechanical strength, and conductivity improving with fewer atomic layers. NanoXplore's patented manufacturing process provides proof of concept to allow for a low-energy, harsh chemical-free manufacture designed to achieve high-grade graphene material at a projected industry leading low cost. Today NanoXplore has capacity to produce 25 metric tonnes of graphene per year.

IP Type	Country	Number	Filing Date	Status	Description
Patent	Canada	CA2837394	19 Dec/13	Pending	Electro-Magneto-Chemical Synthesis Of Few Or Multi-Layers Magnetic Graphene, And Graphene Oxide And Uses Thereof

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Patent	US	9,586,825	9 Dec/14	Issued March 7, 2017	Large Scale Production Of Partially Oxidized Graphene
Patent	US	9,469,542	22 Dec/15	Issued October 18, 2016	LARGE SCALE PRODUCTION OF THINNED GRAPHITE, GRAPHENE, AND GRAPHITE-GRAPHENE COMPOSITES
Patent	US	62/275,591	4 Jan/16	Pending	METHOD OF COMPOUNDING GRAPHENE WITH NON-CONDUCTIVE PARTICLES AND APPLICATIONS THEREOF
Patent	US	TBD	31 May/17	Pending	METHOD OF EXFOLIATING AND DISPERSING HIGH CONCENTRATION GRAPHENE NANOPATELETS (GNP) INTO POLYMERIC MATRICES USING SUPERCRITICAL FLUID (SCF)

The Company has successfully finished a development program to advance this manufacturing process from lab scale (200Kg/year in 2014) to pilot scale (4 metric tonnes/ year in 2015) and to a large-scale manufacturing operation (25 metric tonnes/year). Furthermore, NanoXplore has compounding and mixing capability and produces graphene enhanced plastic master batch pellets to be used in packaging and automotive applications. NanoXplore has capacity of more than 400 metric tonnes/year master batch production. To accelerate the time-to-market, NanoXplore is active in downstream acquisition of plastic forming businesses. Through the acquisition, NanoXplore accesses into the existing relationship of acquired companies with their customers and has the chance to introduce graphene rapidly to them. To support this business model, NanoXplore has acquired a custom plastic injection and blow molding company, "Rada Industries" in June 2016. Acquisition of Rada Industries provided the required access to many customers and as result of that, NanoXplore has already signed a two-year graphene supply agreement with a customer active in aquaculture market. NanoXplore intends to continue with this downstream acquisition business model.

Another aspect of NanoXplore business is further scale up of its graphene production facility. Company plans to build a 10,000 metric tonnes/year graphene production facility. This facility would enables the Company to significantly reduce the cost of production and offer graphene powder to interested parties at a selling price of \$8,000/metric tonne. Setting up this facility would be instrumental for growth of NanoXplore and the Company is planning to complete the engineering work by the end civil year 2018. NanoXplore would seek arm's length engineering firms to assist in the engineering of this facility and would anticipate commencing the construction by civil year 2019.

Project capital requirement

Item	Budget
Direct CAPEX	\$55.7M
Indirect CAPEX	\$3.3M
Contingency	\$6M
Total	\$65M

Source: Based upon an internal study done at NanoXplore

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The facility would consist of 5 main units and would be constructed on 200,000 square foot of land.

Main units are:

- Exfoliation- Wet process (including powder feeding, liquid feeding, and milling)
- Purification- Dry process (including washing, drying and grinding, screening, post-processing, and packaging)
- Control and Service (including power distribution, compressed air network, process control system, and communication and security)
- Waste treatment (including liquid input purification, waste collection, and waste treatment)
- Plant and construction (including wet process building, dry process building, office-storage-shipping building, laboratory, and waste treatment unit)

Direct CAPEX

Item	Initial CAPEX (M\$)	Sustaining CAPEX (M\$)	Total CAPEX (M\$)
Exfoliation- Wet process	26.43	3.22	29.65
Purification- Dry process	7.75	0.6	8.35
Control and Service	2	0.05	2.05
Waste treatment	2.45	0.45	2.9
Plant and construction	12.66	0.09	12.75
Total	51.29	4.41	55.7

Indirect CAPEX

Unit	Total CAPEX (M\$)
Engineering, Management	2.1
Construction temporary facility and operation	0.25
Commissioning	0.85
Others	0.1
Total	3.3

Operating expenses would consist of 2 main items:

- Process (including manpower, energy, raw material, consumables, packaging, control quality, and maintenance)
- General and administration (including manpower, energy, and Fees, taxes, insurance and supplies)

Item	Annual cost (M\$)	\$ Cost per metric tonne	Process cost 20% contingency	Total \$ Cost per tonne	Proportion
Process	28.28	2,804	560	3,364	95.5%
General and administration	1.56	156	0	156	4.5%
Total	29.84	2,960	560	3,520	100%

To conclude and assuming the average selling price of \$8,000/tonne, this project would have a Net Present Value of \$327M (pre-tax).

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The Company's facility graphene production and master batch pellet production facility is located at 25 Montpellier Blvd, H4N 2G3 Montreal Canada and its plastic forming facility at 181 Rue Brossard, J5B 1W9, Delson, Canada.

Research and Development

NanoXplore has a very active internal research and development effort and supplements this with external collaborations at many Canadian universities and research institutes. NanoXplore is currently investing in research programs with McGill University, University of Waterloo, Institut national de la recherche scientifique (INRS-EMT), École de technologie supérieure (ETS), Centre de Technologie Minérale et de Plasturgie (CTMP), Concordia University and the National Research Council (NRC). The Company has highly qualified staff including with 5 with PhD qualifications, 3 with MSc, and 6 with engineering or science degrees.

NanoXplore has benefited from the support of Canada's National Research Council's (NRC's) Industrial Research Assistance Program. NRC has supported the Company in the development of its graphene products under the following project which each ran for approximately 12 months:

- May 2016 - "A Platform Technology to Produce Graphene Enhanced Epoxy Resins, Slurries, Pastes and Greases", to a maximum of \$288,000 for the period from May 26, 2016 to June 9, 2017.

On September 20, 2016, NanoXplore is awarded a development project by Sustainable Technology Development Canada (SDTC) program. The project budget is \$10M and SDTC contribution is a maximum of 33% (\$3.3M) of the eligible expenses.

Nine-month period ended March 31, 2017 highlights

- Revenues reached \$2,550,895, an increase of \$2,020,145 (381%) compared to the same period of 2016;
- Loss and comprehensive loss reached \$1,591,657, an increase of \$779,940 (96%) compared to the same period of 2016;
- The Company completed a private placement through convertible debentures for consideration of \$450,000;
- On October 28, 2016, the Company completed a private placement which triggered an automatic conversion of the outstanding convertible debentures for an aggregate amount of \$1,042,132 (including \$42,132 of accrued interests on convertible debentures) for a total of 57,801 Class A common shares. Debentures have been converted at a price of \$18.03 per share;
- On October 28, 2016, the Company completed a non-brokered private placement of 125,068 Class A common shares for gross proceeds of \$2,255,000 of which \$1,000,000 arose from the conversion of the Debentures representing 55,463 Class A common shares;
- The Company granted 7,000 options to officers and employees.

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2. RESULTS OF OPERATIONS

For the nine-month period ended March 31, 2017 compared with the nine-month period ended March 31, 2016

During the current period, revenues reached \$2,550,895, an increase of \$2,020,145 (381%) compared to the same period of 2016. The increase is mainly explained by the increase of sales of products (\$2,018,160). Nine months of sales of Rada Industries Ltd are included in the current period compared to \$nil during the same period of last year. NanoXplore acquired Rada Industries Ltd on June 1, 2016.

During the current period, loss and comprehensive loss reached \$1,591,657, an increase of \$779,940 (96%) compared to the same period of 2016. Sales of graphene are still minimal as the Company is in the development stage of this business. Expenses have increased in order to develop the graphene business, new employees, additional professional fees and office expenses.

3. CASH FLOW

<u>Sources and uses of cash</u>	<u>Nine-month period ended March 31</u>	
	<u>2017</u>	<u>2016</u>
	\$	\$
Cash used in operations prior to changes in working capital	(1,226,228)	(715,819)
Changes in non-cash working capital	(121,310)	(169,880)
Cash used in operations activities	(1,347,538)	(885,699)
Cash provided by financing activities	1,584,080	-
Cash used in investing activities	(470,520)	(230,375)
Change in cash	(233,978)	(1,116,074)

Operating Activities

For the nine-month period ended March 31, 2017, cash used in operating activities increased by \$510,409 before changes in non-cash working capital compared to the corresponding period of last year (from \$715,819 in 2016 to \$1,226,228 in 2017). Sales of graphene are still minimal as the Company is in the development stage of this business. Expenses have increased in order to develop the graphene business, new employees, additional professional fees and office expenses.

For the nine-month period ended March 31, 2017 and 2016, non-cash working capital increased by \$121,310 and \$169,880 respectively. For both periods, no unusual variations were noted.

Financing Activities

For the nine-month period ended March 31, 2017, cash provided from financing activities was \$1,584,080 compared to cash used of \$nil for the corresponding period of last year. During the current period, the

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Company completed a private placement for gross proceeds of \$1,255,000 and a private placement through convertible debentures for gross proceeds of \$450,000.

Investing Activities

For the nine-month period ended March 31, 2017, cash used in investing activities was \$470,520 compared to \$230,375 for the corresponding period of last year. During the current period, the spending was for addition of equipment and it was mainly for production equipment (molds and scale up graphene production plant). During the corresponding period of last year, the Company spent \$171,100 on equipment and leasehold improvements and the Company invested \$50,000 in a joint venture, Two Carbon Inc.

4. FINANCIAL POSITION

	March. 31, 2017	June 30, 2016
	\$	\$
Cash	933,064	1,167,042
Other current assets	843,983	776,056
Total current assets	1,777,047	1,943,098
Lease deposit	25,850	25,600
Investment in a joint venture	65,220	70,220
Property, plant and equipment	3,324,799	3,099,516
Total assets	5,192,916	5,138,434
Total liabilities (Note 1)	3,404,434	4,127,968
Equity	1,788,482	1,010,466

Note 1: Liabilities: the Company converted for \$550,000 convertible debentures into equity.

5. LIQUIDITY AND CAPITAL RESOURCES

The graphene business is in the development stage and as result the Company has minimal source of operating revenue from that business and is dependent on external financing to fund its continued development program. The Company main sources of funding have been the issuance of equity securities for cash, debt, funds from the government of Quebec with respect to R&D tax credit and from the federal government with respect to R&D tax credit and the Industrial Research Assistance Program

As at March 31, 2017, the Company had a working capital of \$774,510, had an accumulated deficit of \$4,103,981 and incurred a loss of \$1,591,657 for the nine months period then ended. Working capital included cash of \$933,064. Management estimates that these funds will not be sufficient to meet the Company's obligation and planned expenses through the next year. Any funding shortfall may be met in the future in a number of ways, including but not limited to, the issuance of new debt or equity instruments, expenditures reductions and/or the introduction of joint venture partners and/or business combinations. While Management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available on terms which are acceptable to the Company. If Management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in these Financial statements.

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6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

For a detailed description of the financial instruments and risk management associated with the Company and its activities, please refer to the Financial statements. The Company is not aware of any significant changes to financial instruments and risk management presented on those dates.

7. OFF-BALANCE SHEET ARRANGEMENTS

As of the date of this MD&A, the Company did not have any off-balance sheet arrangements.

8. PROPOSED TRANSACTIONS

There is no proposed transaction of a material nature being considered by the Company except the one mentioned in the Filing statement.

9. RELATED PARTY TRANSACTIONS

During the nine months period ended March 31, 2017 and 2016, the Company entered into the following transactions with related parties:

- Incurred royalties revenues from Mason Graphite Inc. of \$37,500 (2016: \$37,500); Mason Graphite Inc. owns more than 10% of the Company;
- Incurred laboratory services revenues from Mason Graphite Inc. of \$50,000 (2016: \$32,500);
- Purchase raw materials from Mason Graphite Inc. of \$320 (2016: \$2,927);
- Incurred laboratory services revenues from Two Carbon Inc. of nil (2016: \$50,000). The Company has a joint control with Two Carbon Inc.

As at March 31, 2017, the balance receivable from the related parties amounted to \$45,833 and is included in other receivables. The amounts outstanding are non-interest-bearing, unsecured and receivable on demand.

10. NEW SIGNIFICANT ACCOUNTING POLICIES

For a detailed description of the significant accounting policies, please refer to the Financial statements.

No significant accounting policy was adopted during the current nine-month period.

11. OUTSTANDING SHARE DATA

As at August 18, 2017, the Company has:

- a) 1,402,917 common shares issued and outstanding;
- b) 51,000 options outstanding with expiry dates ranging between October 23, 2020 and May 2, 2022 with exercise price between \$9.80 and \$18.03. If all the options were exercised, 51,000 shares would be issued for proceeds of \$606,790;

12. RISKS AND UNCERTAINTIES

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The operations of the Company are speculative due to the high-risk nature of its business, which is the acquisition, financing, technology and manufacturing. These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking information relating to the Company.

Small Revenue from graphene powder direct sale

To date the Company has recorded small revenue from its graphene powder direct sale. There can be no assurance that significant losses will not occur in the near future or that the Company will be profitable in the future. The Company's operating expenses and capital expenditures may increase in subsequent years as consultants, personnel and equipment associated with sales and manufacturing of graphene powder. The Company expects to continue to incur losses unless and until such time as it enters into long term and large volume graphene supply agreement and generates sufficient revenues to fund its continuing operations. The development of NanoXplore's large volume graphene production facility will require the commitment of substantial resources to conduct time-consuming development. There can be no assurance that the Company will generate any revenues or achieve profitability.

Liquidity Concerns and Future Financings

NanoXplore will require significant capital and operating expenditures in connection with the acquisition plan and large volume graphene production facility. There can be no assurance that the Company will be successful in obtaining required financing as and when needed. Volatile markets may make it difficult or impossible for the Company to obtain debt financing or equity financing on favourable terms, if at all. Failure to obtain additional financing on a timely basis may cause the Company to postpone or slow down its development plans, or reduce or terminate some or all of its activities.

Foreign Exchange

Graphite is the main raw material to produce graphene. Mineral commodities are sold in US dollars and consequently, NanoXplore is subject to foreign exchange risks relating to the relative value of the Canadian dollar as compared to the US dollar.

Licences and Permits, Laws and Regulations

Large production volume of graphene requires permits and approvals from various government authorities, and are subject to extensive federal, provincial, and local laws and regulations governing development, production, exports, taxes, labour standards, occupational health and safety, and other matters. Such laws and regulations are subject to change, can become more stringent and compliance can therefore become more costly. In addition, the Company may be required to compensate those suffering loss or damage by reason of its activities. There can be no guarantee that NanoXplore will be able to maintain or obtain all necessary licences, permits and approvals that may be required to further scale up the graphene production facility.

Health and Safety and Environmental

Currently, there is no regulation regarding health and safety and environmental impact of graphene. These regulation may come into effect in the future, such as regulations governing environmental protection and employee health and safety. Environmental legislation is evolving in a manner that is creating stricter standards, while enforcement, fines and penalties for non-compliance are also

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increasingly stringent. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. Further, any failure by the Company to comply fully with all applicable laws and regulations could have significant adverse effects on the Company, including the suspension or cessation of operations.

Dependence on Management and Key Personnel

NanoXplore is dependent on the services of key executives, including a small number of highly skilled and experienced executives and personnel. The Company's development to date has largely depended, and in the future will continue to depend, on the efforts of key management and other key personnel to develop its projects. Loss of any of these people, particularly to competitors, in the short term, could have a material adverse impact upon the Company current business.

Uninsured Risks

The Company maintains insurance to cover normal business risks. In the course of manufacturing businesses, certain risks, and in particular, unexpected or unusual catastrophic events including explosions and fire may occur. It is not always possible to fully insure against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the common shares of the Company.

Competition

NanoXplore competes with other graphene manufacturing companies that have interesting strong technology and have been in the market longer than NanoXplore and have stronger financial backing. Such competition may result in the Company being unable to acquire large volume customers, recruit or retain qualified employees or acquire the capital necessary to fund its operations and scale up the production of graphene. The Company's inability to compete with other graphene companies would have a material adverse effect on the Company's results of operation and business.

Qualified Employees

Recruiting and retaining qualified personnel is critical to the NanoXplore's success. Graphene is a newly discovered material and finding skilled scientists and sales team familiar to the subject is difficult. As the Company grows further, the need for skilled labour will increase. The number of persons skilled in the high tech manufacturing business is limited and competition for this workforce is intense. This may adversely affected the business of NanoXplore if the Company cannot recruit and retain qualified personnel as and when required.

Share Price Fluctuations

The market price of securities of many companies, particularly development stage companies, experience wide fluctuations in price that are not necessarily related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that fluctuations in the Company's share price will not occur.

Conflicts of Interest

Certain of NanoXplore directors and officers serve or may agree to serve as directors or officers of other companies and, to the extent that such other companies may participate in ventures in which the

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Company may participate, the directors of NanoXplore may have a conflict of interest in negotiating and concluding terms respecting such participation.

Energy Cost

Energy cost is a significant part of the expenses involved in the manufacturing business. NanoXplore profit margin will significantly impacts by the energy cost. In the case of increase in the electricity cost, NanoXplore's gross profit will reduce and this may adversely affect the business of NanoXplore.

Litigation

NanoXplore has entered into legally binding agreements with various third parties on a Non-Disclosure, consulting and partnership basis. The interpretation of the rights and obligations that arise from such agreements is open to interpretation and NanoXplore may disagree with the position taken by the various other parties resulting in a dispute that could potentially initiate litigation and cause NanoXplore to incur legal costs in the future. Given the speculative and unpredictable nature of litigation, the outcome of any such disputes could have a material adverse effect on NanoXplore business.

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13. SUBSEQUENT EVENTS

On June 6, 2017, Graniz Mondal Inc. ("Graniz") signed with the Company, pursuant to which Graniz and the Company intend to complete a business combination (the "Proposed Transaction"), in accordance with Policy 5.2 of TSX Venture Exchange (the "Exchange").

Concurrently with the completion of the Proposed Transaction, expected to be completed in August 2017, Graniz and the Company entered into an Amalgamation Agreement pursuant to which Graniz will acquire all the issued and outstanding common shares of the Company. Pursuant to the terms and conditions of the Amalgamation Agreement, under which it will issue 56,210,252 common shares to the Company's shareholders, reflecting an exchange ratio of 1:1 (on a post consolidation basis), at a deemed price of \$0.45 per share and will thereafter continue the Company's commercial and engineering activities as NanoXplore Inc. The capital structure of NanoXplore Inc. will be unchanged from the Graniz's current capital structure, other than for the issuance of the shares contemplated by the Proposed Transaction. This transaction will result in a reverse takeover of Graniz by the Company, whereby the Company will be deemed to have acquired control of Graniz through the deemed issuance of 1,412,939 common shares (on a post consolidation basis) to Graniz's shareholders based on Graniz's net assets as at March 31, 2017.

Prior to the closing of the Proposed Transaction, Graniz will complete the consolidation of its common shares on the basis of one Graniz Post-Consolidation Share for every 15 Graniz common shares outstanding. Graniz's outstanding options will be replaced by 141,293 post consolidation new options of the Resulting Issuer at an exercise price of \$0.45 per share.

Prior to the closing of the Proposed Transaction, the Company will complete the conversion of its common shares on the basis of one to 40.0667 common shares outstanding. Related adjustments will be brought to the Company's outstanding options.

The Proposed Transaction constitutes a reverse takeover of Graniz but does not meet the definition of a business combination under IFRS 3, Business Combinations. Accordingly, the Company will account for the reverse takeover transaction in accordance with IFRS 2, Share-based Payment.

The completion of the transaction described in this note is subject to the satisfaction of a number of conditions, including a due diligence by both parties, a private placement and the receipt of all requisite regulatory, corporate and shareholder approvals, including that of the TSX-Venture Exchange. There can be no assurance that the Proposed Transaction will be completed as proposed or at all.

On August 2, 2017, NanoXplore has completed in connection with the Proposed Transaction a brokered private placement financing of subscription receipts ("Subscription Receipts") sold at a price of \$0.45 per Subscription Receipt for gross proceeds of \$9,697,082.

On August 10, 2017, at the Special Meeting of NanoXplore, the shareholders approved the conversion of its common shares on the basis of one to 40.0667 common shares outstanding and approved the Amalgamation agreement.

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14. APPROVAL

The Board of Directors oversees management's responsibility for financial reporting and internal control systems. This Board of directors discuss quarterly with management and annually with the independent auditors to review the scope and results of the annual audit and to review the financial statements and related financial reporting and internal control matters before the financial statements are approved by the Board of Directors and submitted to the shareholders. The Board of Directors has approved the Financial statements.